ANGUILLA SOCIAL SECURITY BOARD

Consolidated Financial Statements

December 31, 2018

(Expressed in Eastern Caribbean Dollars)

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AGENCY INFORMATION

PHYSICAL ADDRESS
James Ronald Webster Building
The Valley
Anguilla, B.W.I.

BOARD OF DIRECTORS
Jacqueline Bryan-Niles – Chairman
Kimberly Fleming – Deputy Chairman
Kerith Kentish – Member
Kiel Connor – Member
Semone Harrigan – Member
Lesroy Lake - Member

DIRECTOR
Timothy Hodge

SECRETARY
Dorice Fleming

BANKERS
National Commercial Bank of Anguilla Limited
P.O. Box 23
The Valley
Anguilla, B.W.I.

Scotiabank Anguilla Limited
Fairplay Commercial Complex
The Valley
Anguilla, B.W.I.

SOLICITOR
Alex Richardson and Associates
P.O. Box 371
Babrow Building
The Valley
Anguilla, B.W.I.

AUDITOR
BDO LLC
Chartered Accountants
Fairplay Complex
Cosley Drive
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Anguilla Social Security Board and Anguilla Social Security Investment and Development Corporation

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the consolidated financial statements of Anguilla Social Security Board and its subsidiary (collectively called the "Group"), which comprise:

- the consolidated statement of financial position as at December 31, 2018;
- the consolidated statements of income and other comprehensive income, consolidated statement of changes in reserves, and consolidated statement of cash flows for the year then ended; and
- notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in the basis for qualified opinion paragraph, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

As stated in Note 16, the latest valuation on the Group's land property under finance lease was not recorded and reported in the Group's financial statements as at and for the year ended December 31, 2018. The valuation amount reported was conducted more than 3 years ago. Considering the volatility of Anguilla's property value, we believe that a new valuation amount should be properly reported on these financial statements. The non-reporting and updating of the Group's property value constitute a departure from IFRS as such we cannot obtain reasonable assurance on the accuracy and valuation of the Group's property and accordingly the valuation of the finance lease receivables.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Anguilla, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of Matters

We draw attention to Note 28, Subsequent Events, with regards to the Group's current assessment and monitoring on the ongoing effect of the COVID-19 pandemic to the country and specifically to the Group's loan portfolio, investments, cash in banks and financial statements as at and for the year ended December 31, 2019 and December 31, 2020.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Anguilla Social Security Board and Anguilla Social Security Investment and Development Corporation

Report on the Audit of the Financial Statements *(continued)*

Emphasis of Matters *(continued)*

Also, we draw attention to the following notes to the consolidated financial statements:

- Note 9 of the consolidated financial statements shows that on the 30th day of March 2016, The Anguilla House of Assembly passed the Bank Resolution Obligations Act (the "Act"), 2016. This Act was assented by the Governor on the 18th day of April 2016. This Act was passed to allow provisions for the Government of Anguilla to make payments to the Social Security Board and Depositor Protection Trusts in support of the resolution of the National Bank of Anguilla Limited and the Caribbean Commercial Bank (Anguilla) Limited conservatorship.

  As a result of passing of the Act, the outstanding term deposits from the National Bank of Anguilla Limited and Caribbean Commercial Bank (Anguilla) Limited amounting to two hundred fourteen million Eastern Caribbean Dollars (EC$214 million) were transferred to the Government of Anguilla through the issuance of the promissory note and commitment letter.

  Thus, as stated in Notes 9 and 23, the Group total loans and other receivables to the Government of Anguilla as at December 31, 2018 amounted to EC$263,541,764 (2017: EC$276,386,592) which represents sixty-seven percent (67%) (2017: 70%) of the total gross financial assets. In view of this, the Group is exposed to significant related party concentration and might face significant uncertainty in the collection of these financial assets based on the Government of Anguilla and the country's current and future economic viability and financial condition. This could also materially impact the Group's liquidity, financial position and performance should Anguilla encounter financial difficulties.

- Note 1 which shows that Anguilla Social Security Investment and Development Corporation (ASSIDCO), the subsidiary in the Group, incurred a net loss of $95,656 for the year ended December 31, 2018 (2017: 66,488) and as of that date, the ASSIDCO's accumulated deficit amounted to $16,325,410 (2017: $16,229,754). The Group's total investment in ASSIDCO as at December 31, 2018 is $26,865,091, of which $16,325,410 was provided with allowance for impairment losses due to continued deficits incurred by ASSIDCO. Claims against the Government of Anguilla for lease rentals since the inception until December 31, 2018 amounting to EC$36,000,000 remains unpaid.

  In April 2014, the Group, by way of additional capital contribution to ASSIDCO, paid off the latter's borrowings with Scotiabank Anguilla Limited. This remediated ASSIDCO's accumulated deficit as at that date. ASSIDCO continues to explore ways to bring the Cinnamon Reef property into a profitable venture either by sale or development. As a definite course of action is yet to be determined, we are of the opinion that this matter remains a significant uncertainty which has direct impact on the current financial position of ASSIDCO and of the Group.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Anguilla Social Security Board and Anguilla Social Security Investment and Development Corporation

Report on the Audit of the Financial Statements *(continued)*

Emphasis of Matter *(continued)*

Note 24 which shows that as at December 31, 2018, the gross total financial instruments of the Group amounting to $394,132,936 (2017: $392,328,199) represent eighty-one percent (81%) (2017: 97%) of its total gross assets. Eighty-five percent (85%) (2017: 84%) of these financial instruments were invested in Anguilla. In view of this, the Group is exposed to significant geographical credit concentration which could materially impact the Group's liquidity, financial position and performance should Anguilla encounter financial difficulties.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

BDO

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Anguilla Social Security Board and Anguilla Social Security Investment and Development Corporation

Report on the Audit of the Financial Statements *(continued)*

Auditor's Responsibilities for the Audit of the Financial Statements *(continued)*

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

- If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

BDO LLC

Chartered Accountants
The Valley, Anguilla
8th of July 2022

ANGUILLA SOCIAL SECURITY BOARD
Consolidated Statement of Financial Position
As at December 31, 2018

[Expressed in Eastern Caribbean Dollars (EC$)]

	Notes	2018	2017
Assets			
Cash and cash equivalents	*7*	**39,684,951**	24,851,126
Investment securities - net	*8*	**59,558,820**	61,855,837
Contributions, loans and other receivables - net	*9*	**238,628,202**	251,980,387
Investment property	*12*	**1,388,976**	1,388,976
Property and equipment - net	*10*	**9,581,785**	9,682,060
Intangible assets - net	*11*	**385,467**	444,284
Other assets	*13*	**5,094,737**	4,121,541
Total Assets		**354,322,938**	354,324,211
Liabilities, Reserves and Development Fund			
Liabilities			
Accounts payable and accrued expenses		**1,169,318**	956,314
Pension fund obligation	*14*	**9,006,184**	8,146,283
Total Liabilities		**10,175,502**	9,102,597
Reserves and Development Fund			
Short-term benefits branch reserve		**1,881,718**	2,692,034
Long-term benefits branch reserve		**336,536,909**	326,313,731
Social Security Development Fund		**199,647**	710,802
Social Security Development Fund Reserve	*15*	**2,800,000**	2,550,000
Equity investment reserve	*8.3, 27*	**(1,881,600)**	8,248,246
Premises revaluation surplus		**4,610,762**	4,706,801
Total Reserves and Development Fund		**344,147,436**	345,221,614
Total Liabilities, Reserves and Development Fund		**354,322,938**	354,324,211

These consolidated financial statements from pages 6 to 92 were approved and authorized for issue by the Board of Directors of the Group on July 8th, 2022 and were signed on their behalf by:

Jacqueline Bryan-Niles
Chairman

Dr. Maglan Lewis
Director of Social Security (ag)

The notes on pages 13 to 92 are integral part of these consolidated financial statements.

ANGUILLA SOCIAL SECURITY BOARD
Consolidated Statement of Income
For the Year Ended December 31, 2018

[Expressed in Eastern Caribbean Dollars (EC$)]

	Notes	2018	2017
Income			
Contributions	*16*	**31,707,232**	28,526,139
Investment income	*17*	**5,297,833**	9,447,852
Lease income – net	*18*	**551,993**	692,008
Fines and miscellaneous	*19*	**249,794**	864,358
		37,806,852	39,530,357
Expenses			
Benefits			
Short-term	*20*	**4,048,491**	3,667,383
Long-term	*20*	**17,915,118**	14,295,222
		21,963,609	17,962,605
Administrative and other expenses	*22*	**7,991,644**	7,500,245
Impairment loss - net of recovery	*8*	**2,186,193**	1,070,176
Social Security Development Fund	*21*	**1,494,555**	1,355,391
		33,636,001	27,888,417
Net income		**4,170,851**	11,641,940

The notes on pages 13 to 92 are integral part of these consolidated financial statements.

ANGUILLA SOCIAL SECURITY BOARD
Consolidated Statement of Comprehensive Income
For the Year Ended December 31, 2018

[Expressed in Eastern Caribbean Dollars (EC$)]

	Notes	2018	2017
Net income		**4,170,851**	11,641,940
Other comprehensive (loss)/income			
Re-measurement of net defined benefit liability	*14*	**(499,566)**	335,132
Revaluation reserve adjustment		**-**	1,017,525
Net change in fair value through OCI (2017: available-for-sale investment securities)	*8*	**12,000**	3,945,322
		(487,566)	5,297,979
Total comprehensive income		**3,683,285**	16,939,919
Attributable to the owner of the Group		**3,683,285**	16,939,919

The notes on pages 13 to 92 are integral part of these consolidated financial statements.

ANGUILLA SOCIAL SECURITY BOARD
Consolidated Statement of Loss and Changes in Reserve
Short-term Benefits Branch
For the Year Ended December 31, 2018

[Expressed in Eastern Caribbean Dollars (EC$)]

	Notes	2018	2017
Income			
Contributions	*16*	**4,756,085**	4,278,921
Investment income	*17*	**46,161**	93,503
Lease income – net	*18*	**4,809**	6,848
Fines and miscellaneous	*19*	**124,897**	432,179
		4,931,952	4,811,451
Expenses			
Benefits	*20*	**4,048,491**	3,667,383
Administrative and other expenses	*22*	**1,409,171**	1,401,564
Impairment loss - net of recovery	*8*	**262,116**	86,574
		5,719,778	5,155,521
Net loss		**(787,826)**	(344,070)

Short-term benefits branch reserve

	Note	2018	2017
Balance at beginning of the year		**2,692,034**	2,968,496
Restatement of beginning balance due to IFRS 9	*27*	**46,914**	-
Balance as restated		**2,738,948**	2,968,496
Re-measurement of net defined benefit liability	*14*	**(83,810)**	58,633
Net loss for the year		**(787,826)**	(344,070)
Depreciation transfer from premises revaluation surplus	*10*	**14,406**	8,975
Balance at end of the year		**1,881,718**	2,692,034

The notes on pages 13 to 92 are integral part of these consolidated financial statements.

ANGUILLA SOCIAL SECURITY BOARD
Consolidated Statement of Income and Changes in Reserve
Long-term Benefits Branch
For the Year Ended December 31, 2018

[Expressed in Eastern Caribbean Dollars (EC$)]

	Notes	2018	2017
Income			
Contributions	*16*	**25,762,126**	23,177,488
Investment income	*17*	**5,199,870**	9,252,570
Lease income – net	*18*	**541,786**	677,705
Fines and miscellaneous	*19*	**124,897**	432,179
		31,628,679	33,539,942
Expenses			
Benefits	*20*	**17,915,118**	14,295,222
Administrative and other expenses	*22*	**6,582,473**	6,098,681
Impairment loss - net of recovery	*8*	**1,855,007**	957,578
		26,352,598	21,351,481
Net income		**5,276,081**	12,188,461

Long-term benefits branch reserve

	Note	2018	2017
Balance at beginning of the year		**326,313,731**	313,800,156
Restatement of beginning balance due to IFRS 9	*27*	**5,284,821**	-
Balance as restated		**331,598,552**	313,610,678
Re-measurement of net defined benefit liability	*14*	**(415,756)**	276,499
Net income for the year		**5,276,081**	12,188,461
Depreciation transfer from premises revaluation surplus	*10*	**78,032**	48,615
Balance at end of the year		**336,536,909**	326,313,731

The notes on pages 13 to 92 are integral part of these consolidated financial statements.

ANGUILLA SOCIAL SECURITY BOARD
Consolidated Statement of Loss and Changes in Reserve
Social Security Development Fund and Development Fund Reserve
For the Year Ended December 31, 2018

[Expressed in Eastern Caribbean Dollars (EC$)]

	Notes	2018	2017
Income			
Contributions	*16*	**1,189,021**	1,069,730
Investment income	*17*	**51,802**	101,779
Lease income – net	*18*	**5,398**	7,455
		1,246,221	1,178,964
Expenses			
Social Security Development Fund	*21*	**1,494,555**	1,355,391
Impairment loss – net of recovery	*8*	**69,070**	26,024
		1,563,625	1,381,415
Net loss		**(317,404)**	(202,451)

Social Security Development Fund

	Notes	2018	2017
Balance at beginning of the year		**710,802**	461,009
Restatement of beginning balance due to IFRS 9	27	**52,648**	-
Balance as restated		**763,450**	461,009
Net (loss)/income for the year		**(317,404)**	(202,451)
Depreciation transfer from premises revaluation surplus	10	**3,601**	2,244
Transfer from Development Fund Reserve	15	**(250,000)**	450,000
Balance at end of the year		**199,647**	710,802

Social Security Development Fund Reserve

	Note	2018	2017
Balance at beginning of the year		**2,550,000**	3,000,000
Transfer to Development Fund Reserve	15	**250,000**	(450,000)
Balance at end of the year		**2,800,000**	2,550,000

The notes on pages 13 to 92 are integral part of these consolidated financial statements.

ANGUILLA SOCIAL SECURITY BOARD
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2018

[Expressed in Eastern Caribbean Dollars (EC$)]

	Notes	2018	2017
Cash flows from operating activities			
Net income		**4,170,851**	11,641,940
Adjustments for:			
Interest income	*17*	**(7,962,669)**	(8,098,185)
Impairment loss - net of recovery	*8*	**2,186,193**	1,070,176
Depreciation and amortization	*10, 11*	**486,135**	571,381
Finance lease earned income	*18*	**(316,820)**	(507,555)
Net change in fair value of equity securities	*8, 17*	**5,140,568**	-
Re-measurement of net defined benefit liability	*14*	**(499,566)**	335,132
Dividend income	*17*	**(109,568)**	(17,813)
Net realized gain from investment securities	*8, 17*	**(2,366,164)**	(1,331,854)
Gain on disposal of asset	*8*	**(2,150)**	-
Operating income before working capital changes		**726,810**	3,663,222
Decrease/(increase) in:			
Contributions and other receivables	*9*	**144,897**	(4,172,936)
Other assets	*13*	**(124,061)**	1,099,915
Increase in:			
Accounts payable and accrued expenses		**213,003**	41,230
Pension fund obligation	*14*	**859,901**	103,107
Net cash provided by operating activities		**1,820,550**	734,538
Cash flows from investing activities			
Interest received		**9,469,994**	6,467,538
(Acquisition)/disposal of investment securities	*8.2*	**(1,146,010)**	1,504,980
Acquisition of property and equipment	*10*	**(288,899)**	(253,664)
Proceeds from disposal of asset		**2,150**	-
Acquisition of software	*11*	**(38,144)**	(343,085)
Dividends received	*17*	**145,194**	35,626
Net loan collection/(releases)	*9*	**5,718,989**	5,396,052
Acquisition of investment properties	*12*	**-**	(1,388,976)
Net cash provided by investing activities		**13,863,275**	11,418,471
Net increase in cash and cash equivalents		**15,683,825**	12,153,009
Cash and cash equivalents at beginning of year		**35,301,507**	23,148,498
Cash and cash equivalents at end of year	*7*	**50,985,332**	35,301,507

The notes on pages 13 to 92 are integral part of these consolidated financial statements.

1. Reporting entity

The parent company
The Anguilla Social Security Board (the "Board") is a statutory body established by the Social Security Act (the "Act"), Revised Statutes of Anguilla Chapter S45 (R.S.A.c.S45) to administer the Social Security Fund (the "Fund") with the objectives of providing various insurance and retirement benefits to persons insured as described in the Act. The Group's registered office and principal place of business address is at the James Ronald Webster Building, The Valley, Anguilla, British West Indies.

The subsidiary company
On March 24, 2009, the Board established the Anguilla Social Security Investment & Development Corporation (the "Company or "ASSIDCO") as its wholly-owned subsidiary, for the purpose of investment and development, in accordance with Section 13A of the Social Security Act, R.S.A.c.S45, as amended by the Social Security (Amendment) Act (No. 4) 2009 which became effective on March 9, 2009. The Company's registered office and principal place of business is at the James Ronald Webster Building, The Valley, Anguilla, B.W.I.

The Board and the Company are collectively called the "Group" in these consolidated financial statements.

Status of operations of the subsidiary company

On January 19, 2010, the Company and the Government of Anguilla entered into a lease and purchase agreement relating to the Cinnamon Reef Property owned by the Company, whereby the Government leases the property from the Company for a period of 10 years for a monthly rent of $300,000. Within the said period, the latter committed to purchase the said property at an agreed price of $20,250,000.

As at December 31, 2019, the outstanding lease income receivables from the Government of Anguilla amounting to EC$36,000,000 since the inception of the lease remained unpaid. Further, the Government of Anguilla informed the Company on May 20, 2011 that the former is no longer interested in the acquisition of the Cinnamon Reef and was desirous of bringing closure to the lease and purchase agreement. This issue had put a strain on the Company's cash flows and financial performance as payments were not honoured.

The doubtful recoverability of the Company's receivables from the Government of Anguilla resulted in significant credit losses to the profit or loss resulting in a net loss of $95,656 (2017: $66,488) and a net cash outflow from operations of $92,645 (2017: $91,201) for the year ended December 31, 2018. As of that date, the Company's accumulated deficit amounted to $16,325,410 (2017: $16,229,754).

The aforementioned issues continue to affect the Company's solvency and liquidity position. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern and may result in an unfavorable impact on the Anguilla Social Security Board's financial position.

1. Reporting entity *(continued)*

The subsidiary company *(continued)*

Status of operations of the subsidiary company (continued)

Management plans
The Company's ability to continue as a going concern depends on it being able to generate operating profit and the timely payment of various obligations. The Company is seeking to address these matters through the following:

a. Sale of cinnamon reef property to third parties pursuant to a Board decision on April 11, 2012. As at report date, the Company is seeking to negotiate with interested parties on possible projects

b. Seek legal recourse for the recovery of unpaid rental payments from the Government of Anguilla pursuant to the lease and purchase agreement;

c. On January 25, 2013, April 4, 2014 and October 18, 2016, the Anguilla Social Security Board approved resolutions to provide financial support to the Company sufficient to satisfy its obligation as they become due and will satisfy on a timely basis all liabilities and obligations that the Company is unable to satisfy when due so that the Company may continue as a going concern; and

d. Continued efforts to reduce discretionary expenses.

Management is, therefore, of the opinion that adequate arrangements are in place to allow the Company to continue to operate as a going concern.

If the Company is unable to continue its operational existence in the foreseeable future, the Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realized other than in the normal course of business and at amounts which may differ significantly from the amounts at which they are presently recorded in the separate statement of financial position. In addition, the Company may have to reclassify non-current assets and liabilities and as current assets and liabilities, respectively.

2. Basis of preparation

a. Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and the provisions of Social Security (Financial and Accounting) Regulations R.R.A.S45-4.

b. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for available-for sale investment securities and land and building which are measured at their fair market values.

c. Functional and presentation currency

These consolidated financial statements have been prepared in Eastern Caribbean Dollars (EC Dollars), which is the Group's functional and presentation currency. Except as otherwise indicated, financial information presented in EC Dollars has been rounded to the nearest dollar.

d. Use of estimates and judgments

The preparation of these consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are described in Notes 4 and 6.

2. Basis of preparation *(continued)*

e. Actuarial review of pension liabilities to members

An actuarial review was conducted as at December 31, 2016 by an independent actuary, Mr. Hernando Perez Montas. The actuarial report is being updated every three years. The actuarial projections provide a quantification of the emerging level of reserves of the long-term branch and from an actuarial standpoint; the investment return assumes an average 4% nominal return or a 2.77% real return net of inflation. A summary of key parameters and the present value of pensions are disclosed in note 14.

The Group applies IAS 26 which requires the actuarial present value of promised retirement benefits to be recognized in the consolidated statement of financial position, in the notes to the consolidated financial statements or in an accompanying actuarial report. The Group has chosen to disclose the actuarial present value of promised retirement benefits in the notes to these consolidated financial statements.

f. Change in accounting policies and disclosures

a) New standards, interpretations and amendments effective from 1 January 2018

The accounting policies adopted are consistent with those of the previous financial year except that the Group has adopted the new and amended IFRS and IFRIC (International Financial Reporting Interpretations Committee) interpretations.

Effective January 1, 2018, the Group applied for the first-time certain Standards and Amendments, which are effective for annual periods beginning on or after 1 January 2018. The Group has not early adopted any other Standard, interpretation or amendment that has been issued but is not yet effective. The nature and the impact of each new Standard or amendment are described below:

- **Amendment to IFRS 7, 'Financial Instruments: Disclosures'**
  The amendment requires that additional disclosures are needed when an entity first applies IFRS 9, Financial Instruments, which include the changes in the categories and carrying amounts of financial instruments before and after the application of the new standard. This reconciliation has been disclosed below.

- **IFRS 9, 'Financial Instruments'**
  IFRS 9 replaces IAS 39 as at January 01, 2018. The Group has not restated comparative information for 2017 for financial instruments in the scope of IFRS 9. Therefore, the comparative information for 2017 is reported under IAS 39 and is not comparable to the information presented for 2018. Differences arising from the adoption of IFRS 9 have been recognized directly in retained earnings as at January 01, 2018 and are disclosed below.

Changes to classification and measurement of financial instruments
IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

2. Basis of preparation *(continued)*

f. Change in accounting policies and disclosures *(continued)*

a) New standards, interpretations and amendments effective from 1 January 2018 *(continued)*

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). IFRS 9 requires all financial assets, except for equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The Standard eliminates the previous IAS 39 categories of held-to-maturity, available-for-sale and loans and receivables.

IFRS 9 will also allow entities to continue to irrevocably designate instruments that qualify for amortised cost or fair value through OCI instruments as FVTPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Equity instruments that are not held for trading may be irrevocably designated as FVOCI, with no subsequent reclassification of gains or losses to the statement of profit or loss.

The Group's classification of its financial assets and liabilities is explained in Note 3(i). The quantitative impact of applying IFRS 9 as at January 1, 2018 is disclosed in the transition disclosures in Note 27.

Changes to impairment of financial assets
The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment of financial assets by replacing the "incurred loss" model under IAS 39 with a forward looking "expected credit loss" (ECL) approach. IFRS 9 requires the Group to record an allowance for ECLs for financial assets measured at amortised cost and FVOCI. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination.

Details of the Group's impairment modelling are disclosed below. The quantitative impact of applying IFRS 9 as at 1 January 2018 is disclosed in Note 27.

Transition to IFRS 9
Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

- Comparative periods have not been restated. Differences in carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in reserves as at 1 January 2018. As such, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

2. Basis of preparation *(continued)*

f. Change in accounting policies and disclosures *(continued)*

a) New standards, interpretations and amendments effective from 1 January 2018 *(continued)*

Transition to IFRS 9 *(continued)*
Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below *(continued)*:

- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application, 1 January 2018:

  a. The determination of business model within which a financial asset is held;
  b. The designation and revocation of previous designations of certain financial assets and liabilities as measured at FVTPL; and
  c. The designation of certain investments in equity instruments not held for trading at FVOCI.

- If a debt security had a low credit risk at the date of initial application of IFRS 9, the Group assumes that the credit risk on the asset had not increased significantly since its initial recognition.

▪ **IFRS 15 'Revenue from Contracts with Customers'**
On January 1 2018, the Group adopted IFRS 15 'Revenue from Contracts with Customers' (effective for annual reporting periods beginning on or after 1 January 2018). IFRS 15 defines principles for recognizing revenue and is applicable to all contracts with customers. IFRS 15 applies to nearly all contracts with customers; the main exceptions are leases, financial instruments and insurance contracts. However, interest and fee income integral to financial instruments and leases continues to fall outside the scope of IFRS 15 and is guided by the other applicable Standards (such as IFRS 9 Financial Instruments and IFRS 16 Leases). Revenue under IFRS 15 must be recognized as goods and services are transferred, to the extent that the transferor anticipates entitlement to goods and services. The Standard also specifies a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and corresponding cash flows with customers.

The adoption of IFRS 15 did not impact the timing or amount of fee and commission income from contracts with customers and the related assets and liabilities recognized by the Group. Accordingly, the impact on the comparative information is limited to new disclosure requirements.

2. Basis of preparation *(continued)*

f. Change in accounting policies and disclosures *(continued)*

a) New standards, interpretations and amendments effective from 1 January 2018 *(continued)*

- ***IFRIC 22 Foreign Currency Transactions and Advance Consideration***
IFRIC Interpretation 22 is effective for annual reporting periods beginning on or after 1 January 2018. The interpretation clarifies how to determine the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency-denominated contracts. For a single payment or receipt, the date of the transaction should be the date on which the entity initially recognizes the non-monetary asset or liability arising from the advance consideration. If there are multiple payments or receipts for one item, a date of transaction should be determined as above for each payment or receipt.

  Entities can choose to apply the interpretation:
  - retrospectively for each period presented;
  - prospectively to items in scope that are initially recognised on or after the beginning of the reporting period in which the interpretation is first applied; or
  - prospectively from the beginning of a prior reporting period presented as comparative information.

b) New standards, amendments to standards and interpretations not yet effective and not yet adopted

A number of new standards, amendments to standards and interpretations that have been issued but are not yet effective as at December 31, 2018 or not relevant to the Group's operations. These are as follows:

- **IFRS 16 Leases (effective January 1, 2019)**
IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).

  Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will be required to re-measure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payment resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

2. Basis of preparation *(continued)*

f. Change in accounting policies and disclosures *(continued)*

b) New standards, amendments to standards and interpretations not yet effective and not yet adopted *(continued)*

- **IFRS 16 Leases (effective January 1, 2019)** *(continued)*

  Lessor accounting is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all lease using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. The Group does not anticipate significant impact on the adoption of this new standard as their current lease is only for short term. However, the Group will still evaluate the impact of this new standard, if any.

- *Amendments to IFRS 9, Financial Instruments - Prepayment Features with Negative Compensation*
  The amendments allow entities to measure particular pre-payable financial assets with negative compensation at amortized cost or at fair value through other comprehensive loss (instead of at fair value through profit or loss) if a specified condition is met. It also clarifies the requirements in IFRS 9, Financial Instruments for adjusting the amortized cost of a financial liability when a modification or exchange does not result in its derecognition (as opposed to adjusting the effective interest rate).

  Under prevailing circumstances, the adoption of this is not expected to have any material effect on the consolidated financial statements of the Group.

- *Amendments to IAS 28, Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures*
  The amendments clarify that long-term interests in an associate or joint venture that, in substance, form part of the entity's net investment but to which the equity method is not applied, are accounted for using IFRS 9, Financial Instruments. Under prevailing circumstances, the adoption of this is not expected to have any material effect on the consolidated financial statements of the Group.

- *IFRIC 23, 'Uncertainty over Income Tax Treatments'*
  This interpretation was issued to address the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12, 'Income Taxes'. This interpretation is applicable for annual periods beginning on or after January 1, 2019. It is not anticipated that the application of this amendment will have a material impact on amounts reported in respect to the Group's consolidated financial statements.

2. Basis of preparation *(continued)*

f. Change in accounting policies and disclosures *(continued)*

b) New standards, interpretations and amendments effective from 1 January 2018 *(continued)*

- *IAS 12, Income Taxes*
  The standard was amended to clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognized in profit or loss, regardless of how the tax arises. This amendment is applicable for annual periods beginning on or after January 1, 2019. The application of this amendment will not have a material impact on amounts reported in respect to the Group's consolidated financial Statements.

- *IAS 19, 'Employee Benefits'*
  The standard was amended to clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognized in the normal manner in other comprehensive loss. This amendment is applicable for annual periods beginning on or after January 1, 2019.

  It is not anticipated that the application of this amendment will have a material impact on amounts reported in respect to the Group's consolidated financial statements.

- *IAS 23, 'Borrowing Costs'*
  The standard was amended to clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings. This amendment is applicable for annual periods beginning on or after January 1, 2019. It is not anticipated that the application of this amendment will have a material impact on amounts reported in respect to the Group's consolidated financial statements.

3. Significant accounting policies

The accounting policies set out below have been applied consistently by the Group to all periods presented in these consolidated financial statements.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions are eliminated in preparing the consolidated financial statements.

(b) Foreign currency transactions

Transactions in foreign currencies are translated to the Group's functional currency at the exchange rates ruling at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-translated to the Group's functional currency at the exchange rate ruling at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in the foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the Group's functional currency at the exchange rate at the date the fair value was determined.

Foreign currency differences arising from retranslation are recognized in the consolidated statement of income except for differences arising on retranslation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognized in the consolidated statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

3. Significant accounting policies *(continued)*

(c) Contribution income

Contribution income is recognized in the consolidated statement of income on the date that the employers' and employees' obligations to contribute become due and the Group's right to receive payment is established. The Group approach is to record contribution income based on actual collections during the year and accrue collections made in the subsequent year for contributions pertaining to the previous year. The Group also accrues contribution income due from delinquent members and recognized 100% allowance for impairment on these accruals.

(d) Investment income

Investment income comprises interest income on financial assets carried at amortised cost, interest income on loans and receivables, and cash in bank, dividend income on financial assets carried at FVOCI, realized gain on financial assets carried at FVPL and any changes on the fair value of financial assets carried at FVPL. Interest income is recognized as it accrues in the consolidated statement of income using the effective interest rate method. Dividend income is recognized in the consolidated statement of income on the date that the Group's right to receive payment is established. Income from FVPL is recognized based on Note 3(i).

(e) Lease

(i) Finance lease

Leases in terms of which the Group transfers substantially all the risks and rewards of ownership are classified as finance lease. Upon initial recognition, the Group recognizes assets under a finance lease in the consolidated statement of financial position as a receivable at an amount equal to the net investment in the lease. Net investment is comprised of the present value of the minimum lease payments and any unguaranteed residual value accruing to the Group.

The present value is calculated by discounting the minimum lease payments due and any unguaranteed residual value, at the interest rate implicit in the lease. Initial direct costs are included in the calculation of the finance lease receivable, because the interest rate implicit in the lease, used for discounting the minimum lease payments, takes initial direct costs incurred into consideration.

The Group derecognises the leased asset and recognises the difference between the carrying amount of the leased asset and the finance lease receivable in the consolidated statement of income when recording the finance lease receivable. This gain or loss is presented in the consolidated statement of income in the same line item in which the lessor presents gains or losses from sales of similar assets.

Over the lease term the Group accrues interest income on the net investment. The receipts under the lease are allocated between reducing the net investment and recognising finance income, so as to produce a constant rate of return on the net investment.

3. Significant accounting policies *(continued)*

(e) Lease *(continued)*

(ii) Operating lease
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease income from leased property accounted for as operating lease is recognized in the consolidated statement of income on a straight line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rent income over the term of the lease.

(f) Fines and miscellaneous income

Fines and miscellaneous income are recognized in the consolidated statement of income on the date cash is received.

(g) Distribution of income

Based on Section 18(1a) of the Financial and Accounting Regulations of the Social Security Act (R.S.A.c. S45), the income from employer and employee contributions is ascribed to the various branches in the following proportions:

Short-term benefits branch	15.00%
Long-term benefits branch	81.25%
Social Security Development Fund	3.75%

On the other hand, investment income and rent income are distributed to each branch in proportion to the amount of reserves in each branch at the end of the preceding year, based on Section 18(1b) of the Financial and Accounting Regulations of the Social Security Act (R.S.A.c. S45).

The allocations are as follows:

	2018	2017
Short-term benefits branch	**0.87%**	0.99%
Long-term benefits branch	**98.15%**	97.93%
Social Security Development Fund	**0.98%**	1.08%

Other income is distributed equally between the two benefit branches.

(h) Distribution of expenditure

Benefit expenditures grouped under a specific branch are ascribed to that branch based on Section 2(b) of the Financial and Accounting Regulations of the Social Security Act (R.S.A.c S45).

3. Significant accounting policies *(continued)*

(h) Distribution of expenditure *(continued)*

The benefits are grouped as follows:

Short-term benefits branch	- sickness benefit, maternity benefit, funeral grant
Long-term benefits branch	- age benefit, invalidity benefit, survivor's benefit, non-contributory old age pension

Administrative expenses are distributed among the benefit branches in proportion of the sum of contribution income and benefit expenditure of each branch to the total sum of contribution income and benefit expenditure of the two benefit branches, based on Section 19(2) of the Financial and Accounting Regulations of the Social Security Act (R.S.A.c. S45). In 2018 and 2017, the allocations are as follows:

	2018	2017
Short-term benefits branch	**16.78%**	17.50%
Long-term benefits branch	**83.22%**	82.50%

Impairment losses are distributed based on the percentage of income it pertains to. All other expenditure which is not attributable to any specific branch shall be distributed among the two benefit branches in equal proportion.

(i) Financial assets and financial liabilities

Policy applicable from 1 January 2018

Initial Measurement of financial assets and liabilities
The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

Measurement categories of financial assets and liabilities
Effective 1 January 2018, the Group classifies its financial assets based on the Group's business model for managing the assets and the assets' contractual cash flow characteristics. The three classifications and measurement categories under IFRS 9 are as follows:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI); and
- Fair value through profit or loss (FVTPL).

3. Significant accounting policies *(continued)*

(i) Financial assets and financial liabilities *(continued)*

Policy applicable from 1 January 2018 *(continued)*

Measurement categories of financial assets and liabilities *(continued)*

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

A debt financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. All other equity investments are classified as measured at FVTPL.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Prior to 1 January 2018, the Group classified its financial assets as loans and receivables (amortised cost), available-for-sale (fair value through OCI) or held-to-maturity (amortised cost). Financial liabilities are measured at amortised cost.

3. Significant accounting policies *(continued)*

(i) Financial assets and financial liabilities *(continued)*

Policy applicable from 1 January 2018 *(continued)*

Business model assessment
Business model assessment entails a determination of the way financial assets are managed in order to generate cash flows. There are three business models available under IFRS 9:

- Hold to collect: it is intended to hold the asset to maturity to earn interest, collecting repayments of principal and interest form the counterparty.
- Hold to collect and sell: this model is similar to the hold to collect model, except that the entity elects to sell some or all of the assets before maturity as circumstances change or to hold the assets for liquidity purposes.
- Other: all those models that do not meet the 'hold to collect' or 'hold to collect and sell' qualifying criteria.

The assessment of business model requires judgement based on facts and circumstances at the date of initial application. The business model is not assessed on an instrument by instrument basis, but at a higher level of aggregated portfolios per instrument type and is based on observable factors.

The Group determines its business model at the portfolio level (foreign reserves and domestic assets portfolios) as this best reflects the way the Group manages its financial assets to achieve its business objective. The Group's business model assessment considers the following qualitative and observable factors:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolios are evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how asset managers of the business are compensated (e.g. whether compensation is based on the fair value of the asset managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realized.

3. Significant accounting policies *(continued)*

(i) Financial assets and financial liabilities *(continued)*

Policy applicable from 1 January 2018 *(continued)*

Assessment of whether contractual cash flows are solely payments of principal and interest

The second criteria in the classification process is the Group's assessment of the contractual terms of financial assets to determine whether they meet the solely payments of principal and interest (SPPI) test. Contractual cash flows that represent solely payments of principal and interest on the principal amount outstanding are consistent with basic lending arrangements.

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and the credit risk associated with the principal amount outstanding during a particular period of time. It can also include consideration for other basic lending risks (e.g. liquidity risk) and costs (e.g. administrative costs) associated with holding the financial asset for a particular period of time, and a profit margin that is consistent with a basic lending arrangement.

If a financial asset is held in either a 'Hold to Collect' or a 'Hold to Collect and Sell' business model, then assessment to determine whether contractual cash flows are solely payments of principal and interest on the principal amount outstanding at initial recognition is required to determine the classification. The SPPI test is performed on an individual instrument basis.

In assessing whether the contractual cash flows are SPPI, the Group considers whether the contractual terms of the financial asset contain a term that could change the timing or amount of contractual cash flows arising over the life of the instrument which could affect whether the instrument is considered to meet the SPPI test. If the SPPI test is failed, such financial assets are measured at FVTPL with interest earned recognised in other interest income.

Debt instruments measured at amortized cost
Debt instruments are measured at amortised cost if they are held within a business model whose objective is to hold for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. After initial measurement, debt instruments in this category are carried at amortised cost. Interest income on these instruments is recognised in interest income using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. Amortised cost is calculated by taking into account any discount or premium on acquisition, transaction costs and fees that are an integral part of the effective interest rate.

Impairment on debt instruments measured at amortised cost is calculated using the expected credit loss approach. Loans and debt securities measured at amortised cost are presented net of the allowance for credit losses (ACL) in the separate statement of income.

3. Significant accounting policies *(continued)*

(i) Financial assets and financial liabilities *(continued)*

Policy applicable from 1 January 2018 *(continued)*

Debt instruments measured at FVOCI
Effective 1 January 2018, the Group measures debt investment securities at FVOCI when both of the following categories are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset meet the SPPI test.

During the year and the previous year the Group does not have a financial assets classified and measured on this categories.

In any case, FVOCI debt investment securities will be subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in the statement of separate statement of comprehensive income. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. On de-recognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Equity instruments
Equity instruments are classified into one of the following measurement categories:
- Fair value through profit or loss (FVTPL); or
- Designated at fair value through other comprehensive income (FVOCI).

Equity instruments measured at Fair value through profit or loss (FVTPL)
Equity instruments are measured at FVTPL, unless an election is made to designate them at FVOCI upon purchase, with transaction costs recognised immediately in profit or loss. Subsequent to initial recognition the changes in fair value are recognised in the statement of profit or loss. Equity instruments at FVTPL are primarily assets held for trading.

Equity instruments measured at FVOCI (designated)
At initial recognition, there is an irrevocable option for the Group to classify non-trading equity instruments at FVOCI. This election is used for certain equity investments held for strategic or longer-term investment purposes. This election is made on an instrument-by-instrument basis and is not available for equity instruments that are held for trading purposes. Gains and losses on these instruments including when derecognised/sold are recorded in OCI and are not subsequently reclassified to the statement of profit or loss. As such, there is no specific impairment requirement. Dividends received are recorded in profit or loss. Any transaction costs incurred upon purchase of the security are added to the cost basis of the security and are not reclassified to profit or loss on sale of the security.

3. Significant accounting policies *(continued)*

(i) Financial assets and financial liabilities *(continued)*

Policy applicable from 1 January 2018 *(continued)*

Equity instruments *(continued)*

Equity instruments measured at FVOCI (designated) (continued)
At the date of initial application of IFRS 9, the Group made an irrevocable election to classify its equity instruments at FVOCI when they are not held for trading as these investments are expected to be held for the long-term and for strategic purposes. Such classification is determined on an instrument by instrument basis. Gains and losses on these equity instruments are never recycled to the Statement of profit or loss. Dividends are recognised in profit or loss. Equity instruments at FVOCI are not subject to impairment assessment.

Financial assets at FVTPL
Groups of financial assets for which the business model is other than held to collect and held to collect and sell are measured at FVTPL from the date of initial application of IFRS 9.

Impairment of Financial Assets at Amortized Cost and FVOCI
The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses on financial assets by replacing IAS 39's incurred loss approach with the forward-looking three-stage expected credit loss (ECL) approach. IFRS 9 requires the Group to record ECLs on all financial assets measured at amortised cost or FVOCI.

Effective 1 January 2018, the Group conducted ECL assessment for the following categories of financial assets:
- Financial assets measured at amortised cost; and
- Financial assets measured at FVOCI.

Equity investment securities are not subject to impairment testing under IFRS 9. The Group does not have debt investment securities does were not subjected to impairment testing under IFRS 9.

The Group measures loss allowances at an amount equal to 12-month ECL only on loans receivables at the reporting date and other financial instruments on which credit risk has not increased significantly since their initial recognition.

Expected credit loss impairment model
IFRS 9 introduces a three-stage approach to impairment of financial assets. The ECL allowance is based on credit losses expected to arise over the life of the asset (the lifetime expected credit loss), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss.

3. Significant accounting policies *(continued)*

(i) Financial assets and financial liabilities *(continued)*

Policy applicable from 1 January 2018 *(continued)*

Impairment of Financial Assets at Amortized Cost and FVOCI *(continued)*

Expected credit loss impairment model *(continued)*
The Group's policies for determining if there has been a significant increase in credit risk are set out in Note 5. The 12-month ECL is the portion of lifetime ECL that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both lifetime and 12-month expected credit losses are calculated on either an individual basis or a collective basis, depending on the size and nature of the underlying portfolio of financial instruments.

The Group has established a policy to perform an assessment of whether a financial instrument's credit risk has increased significantly since initial recognition, at the end of each reporting period. This is undertaken by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Group classifies its financial assets into Stage 1, Stage 2 and Stage 3, as described below:

Stage 1: 12 months ECL
The Group assesses ECLs on financial assets where there has not been a significant increase in credit risk since initial recognition and that were not credit impaired upon origination. When financial assets are first recognised and continue to perform in accordance with the contractual terms and conditions at initial recognition, the Group recognises a loss allowance based on 12 months ECLs. This represents the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date.

Stage 2: Lifetime ECL – not credit impaired
The Group collectively assesses ECLs on exposures where there has been a significant increase in credit risk since initial recognition but is not credit impaired. For these exposures, the Group recognises as a collective provision a lifetime ECL (i.e. reflecting the remaining lifetime of the financial asset).

Stage 3: Lifetime ECL – credit impaired
The Group identifies both collectively and individually, ECLs on those exposures that are assessed as credit impaired based on whether one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For exposures that have become credit impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying amount. If the asset is no longer credit impaired, then the calculation of the interest income reverts to the gross basis.

3. Significant accounting policies *(continued)*

(i) Financial assets and financial liabilities *(continued)*

Policy applicable from 1 January 2018 *(continued)*

Impairment of Financial Assets at Amortized Cost and FVOCI *(continued)*

Expected credit loss impairment model *(continued)*
Financial instruments within the scope of the impairment requirements of IFRS 9 are classified into one of the above three stages. Unless purchased or originated credit impaired, newly originated assets are classified as Stage 1 and remain in that stage unless there is considered to have been a significant increase in credit risk since initial recognition, at which point the asset is reclassified to Stage 2.

Measurement of expected credit losses (ECL)

The Group derives ECL's from probability-weighted estimates of expected loss, and are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls over the expected life of the financial asset discounted by the effective interest rate. The cash shortfall is the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive.

- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the effective interest rate.

The mechanics of the ECL calculation are outlined below and the key elements are as follows:

PD – the Probability of Default (PD) is an estimate of the likelihood of default over a given period of time. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio. The concept of PD's is further explained in Note 5.

EAD – the Exposure at Default (EAD) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

LGD - The Loss Given Default (LGD) is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

3. Significant accounting policies *(continued)*

(i) Financial assets and financial liabilities *(continued)*

Policy applicable from 1 January 2018 *(continued)*

Impairment of Financial Assets at Amortized Cost and FVOCI *(continued)*

Measurement of expected credit losses (ECL) *(continued)*
When estimating the ECLs, the Group considers among other factors the risk rating category and aging of the financial asset. Each of these is associated with different PDs, EADs and LGDs.

The mechanics of the ECL method are summarised below:

Stage 1
The 12 months ECL is calculated as the portion of the lifetime expected credit losses that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12 months ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD.

Stage 2
When a financial asset has shown a significant increase in credit risk since origination, the Group records an allowance for the lifetime expected credit losses. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument. The LGDs are derived as explained under Stage 3 for loans.

Stage 3
For financial assets considered credit-impaired, the Group recognises the lifetime expected credit losses for these financial assets. The method is similar to that for Stage 2 assets, with the PD set at 100%. In most instances, LGDs are determined on an individual loan/advance or investment basis, including discounting the expected cash flows at the original EIR. Stage 3 LGDs are grouped by similar types to provide percentage averages to be applied for Stage 1 and Stage 2 loans.

In limited circumstances within the Group, where portfolios were small and the products homogenous with minimal history of defaults, a simplified ECL approach was applied. Financial instruments within the scope of the impairment requirements of IFRS 9 are classified into one of the above three stages. Unless purchased or originated credit impaired, newly originated assets are classified as Stage 1 and remain in that stage unless there is considered to have been a significant increase in credit risk since initial recognition, at which point the asset is reclassified to Stage 2.

3. Significant accounting policies *(continued)*

(i) Financial assets and financial liabilities *(continued)*

Policy applicable from 1 January 2018 *(continued)*

Impairment of Financial Assets at Amortized Cost and FVOCI *(continued)*

Measurement of expected credit losses (ECL) *(continued)*
Purchased or originated credit-impaired (POCI) assets are Financial Instruments that are credit- impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit adjusted effective interest rate. Expected credit losses are recognised to the extent that there is a subsequent change where ECLs are calculated based on lifetime expected credit loss. Once the Financial Asset is recognised as POCI, it retains this status until derecognised.

Macroeconomic factors
The Standard also requires incorporation of macroeconomic factors in models for ECLs. In its models, the Group utilizes an automated solution which incorporates an assessment of a broad range of forward-looking economic information as possible inputs, such as: GDP growth, unemployment rates and interest rates.

The Standard recognises that the inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays may be made as temporary adjustments using expert credit judgment.

Incorporation of forward-looking information
IFRS 9 requires the incorporation of forward-looking information in the estimation of expected credit losses for each stage and the assessment of significant increases in credit risk. It considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgement.

Definition of default
The Group considers a financial asset to be in default as a result of one or more loss events that occurred after the date of initial recognition of the instrument and the loss event has a negative impact on the estimated future cash flows of the instrument that can be reliably estimated. This includes events that indicate:

- significant financial difficulty of the borrower or issuer;
- default or delinquency in interest or principal payments;
- high probability of the borrower entering a phase of bankruptcy or a financial reorganization;
- measurable decrease in the estimated future cash flows from the loan or the underlying assets that secure the loan;
- The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise.

3. Significant accounting policies *(continued)*

(i) Financial assets and financial liabilities *(continued)*

Policy applicable from 1 January 2018 *(continued)*

Impairment of Financial Assets at Amortized Cost and FVOCI *(continued)*

Definition of default *(continued)*
A counterparty is classified as defaulted at the latest when payments of interest, principal or fees are overdue for more than 90 days or when bankruptcy, fraud, insolvency proceedings or enforced liquidation have commenced or there is other evidence that payment obligations will not be fully met. The determination of whether a financial asset is credit-impaired focuses on default risk, without taking into consideration the effects of credit risk mitigations such as collateral or guarantees. A financial asset is classified as credit-impaired if the counterparty has defaulted and/or the instrument is purchased or originated credit-impaired. The Group considers that default has occurred and classifies the financial asset as credit impaired when it is more than 90 days past due.

Credit-impaired financial assets
At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Significant increase in credit risk
A significant increase in credit risk is defined as a significant increase in the probability of a default occurring since initial recognition. When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers both quantitative and qualitative information and analysis based on historical experience and credit risk assessment. As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is already past due.

IFRS 9 also requires that (other than for purchased or originated credit impaired financial instruments) if a significant increase in credit risk that had taken place since initial recognition, has reversed by a subsequent reporting period then the loss allowance reverts from lifetime ECL to 12- month.

Write-offs
The write-off of a financial asset is a derecognition event. Loans and the related impairment losses are written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, they are generally written off after receipt of any proceeds from the realization of collateral. In circumstances where the net realizable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier.

3. Significant accounting policies *(continued)*

(i) Financial assets and financial liabilities *(continued)*

Policy applicable from 1 January 2018 *(continued)*

Contributions and other receivables
IFRS 9 requires that receivables and contract assets that DO NOT contain significant financing component under IFRS 15 should use the simplified approach, where that the asset's loss allowance should be recognized as lifetime. Simplified approach is used for contributions, lease and other receivables.

Derecognition of Financial Assets and Liabilities
When the Group has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Group's continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Group could be required to repay.

Financial Liabilities
Financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Group could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in the statements of comprehensive loss.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

3. Significant accounting policies *(continued)*

(i) Financial assets and financial liabilities *(continued)*

Offsetting of Financial Assets and Liabilities
Financial assets and financial liabilities are offset and the net amount reported in the separate statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the separate statement of financial position.

Freestanding Derivatives
For the purpose of hedge accounting, hedges are classified as either:

(i) fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment (except for foreign currency risk);

a. cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment; or

b. hedges of a net investment in foreign operations.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Fair Value Hedge
Derivatives classified as fair value hedges are carried at fair value with corresponding change in fair value recognized in the consolidated statement of income. The carrying amount of the hedged asset or liability is also adjusted for changes in fair value attributable to the hedged item and the gain or loss associated with that remeasurement is also recognized in the consolidated statement of income.

When the hedge ceases to be highly effective, hedge accounting is discontinued and the adjustment to the carrying amount of a hedged financial instrument is amortized immediately.

3. Significant accounting policies *(continued)*

(i) Financial assets and financial liabilities *(continued)*

Fair Value Hedge *(continued)*

The Group discontinues fair value hedge accounting if:

i. the hedging instrument expires, is sold, is terminated or is exercised;
ii. the hedge no longer meets the criteria for hedge accounting; or
iii. the Group revokes the designation.

The Group has no outstanding derivatives accounted for as a fair value hedge as at December 31, 2018.

Derivative Financial Instruments and Hedging

Cash Flow Hedge
Changes in the fair value of a hedging instrument that qualifies as a highly effective cash flow hedge are recognized in other comprehensive income and presented in the separate statement of changes in equity. The ineffective portion is immediately recognized in the separate statement of income.

If the hedged cash flow results in the recognition of an asset or a liability, all gains or losses previously recognized directly in the separate statements of changes in equity are transferred and included in the initial measurement of the cost or carrying amount of the asset or liability. Otherwise, for all other cash flow hedges, gains or losses initially recognized in the separate statement of changes in equity are transferred to the separate statements of income in the same period or periods during which the hedged forecasted transaction or recognized asset or liability affects the separate statements of income.

When the hedge ceases to be highly effective, hedge accounting is discontinued prospectively. The cumulative gain or loss on the hedging instrument that has been reported directly in the separate statements of changes in equity is retained until the forecasted transaction occurs. When the forecasted transaction is no longer expected to occur, any net cumulative gain or loss previously reported in the separate statements of changes in equity is recognized in the separate statements of income.

The Group has no outstanding derivatives accounted for as a cash flow hedge as at December 31, 2018.

Net Investment Hedge
Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in other comprehensive income while any gain or loss relating to the ineffective portion is recognized in the separate statement of income. On disposal of a foreign operation, the cumulative value of any such gains and losses recorded in the consolidated statements of changes in equity is transferred to and recognized in the consolidated statements of income.

3. Significant accounting policies *(continued)*

(i) Financial assets and financial liabilities *(continued)*

Derivative Financial Instruments and Hedging *(continued)*

Net Investment Hedge *(continued)*
The Group has no hedge of a net investment in a foreign operation as at December 31, 2018.

Changes in fair values of derivatives that do not qualify for hedge accounting are recognized directly in the separate statements of income.

Embedded Derivatives
The Group assesses whether embedded derivatives are required to be separated from the host contracts when the Group becomes a party to the contract.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met:

(a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;

(b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and

(c) the hybrid or combined instrument is not recognized as at FVPL.

Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVPL.

The Group has not bifurcated any embedded derivatives as at December 31, 2018.

Accounting policies applied to financial assets and liabilities prior to 1 January 2018

i. Recognition
The Group initially recognizes financial assets on the date that they are originated.

ii. Classification
The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity, loans and receivables and available-for-sale.

3. Significant accounting policies *(continued)*

(i) Financial assets and financial liabilities *(continued)*

Accounting policies applied to financial assets and liabilities prior to 1 January 2018 *(continued)*

iii. Derecognition
The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

iv. Offsetting
Financial assets and liabilities are offset and the net amount presented in the separate statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

(v) Amortized cost measurement
The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

(vi) Fair value measurement
Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

IFRS 7 fair value measurement hierarchy
IFRS 7 requires certain disclosures which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement. The fair value hierarchy has the following levels:

a. Quoted prices in active markets for identical assets and liabilities (Level 1);
b. Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
c. Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

3. Significant accounting policies *(continued)*

(i) Financial assets and financial liabilities *(continued)*

Accounting policies applied to financial assets and liabilities prior to 1 January 2018 *(continued)*

(vi) Fair value measurement *(continued)*

IFRS 7 fair value measurement hierarchy (continued)
The level in the fair value hierarchy within which the financial asset or financial liability is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirely into only one of the three levels.

(vii) Identification and measurement of impairment
At each reporting date, the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

The Group considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets (carried at amortized cost) with similar risk characteristics.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

In assessing collective impairment, the Group uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by the historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

3. Significant accounting policies *(continued)*

(i) Financial assets *(continued)*

Accounting policies applied to financial assets and liabilities prior to 1 January 2018 *(continued)*

(vii) Identification and measurement of impairment *(continued)*

Impairment loss on assets carried at amortized cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognized in the consolidated statement of income and reflected in an allowance account against loans and receivable.

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the consolidated statement of income.

Non-derivative financial instruments

Non-derivative financial instruments comprise of cash and cash equivalents, investments in debt and equity securities, contributions, loans and other receivable, finance lease receivables, accounts payable and accrued expenses and borrowings. Non-derivative financial instruments are recognized initially at fair value. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

Cash and cash equivalents
Cash and cash equivalents include cash balances on hand, balances with local banking institutions and highly liquid financial assets with maturities of less than three months, which are subject to insignificant risk of changes in their fair value.

Held-to-maturity investment securities
Held-to-maturity investment securities are non-derivative assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss or available-for-sale. Held-to-maturity investment securities are measured at amortized cost using the effective interest method, less any impairment losses.

Available-for-sale investment securities
The Group’s investments in equity securities and certain debt securities are classified as available-for-sale investment securities. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign exchange gains and losses on available-for-sale monetary items, are recognized directly in the consolidated statement of comprehensive income. When an investment is derecognised, the cumulative gain or loss in the consolidated statement of comprehensive income is transferred to the consolidated statement of comprehensive income and presented within equity in the fair value reserve.

3. Significant accounting policies *(continued)*

(i) Financial assets *(continued)*

Accounting policies applied to financial assets and liabilities prior to 1 January 2018 *(continued)*

Loans, contributions and other receivables
Loans, contributions and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term. Loans, contributions and other receivables are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortized cost using the effective interest method except when the Group chooses to carry the loans, contributions and other receivables at fair value through profit or loss.

Finance lease receivables
Finance lease receivables are measured at the present value of the minimum lease payments and any unguaranteed residual value accruing to the Group less any impairment losses. The present value is calculated by discounting the minimum lease payments due and any unguaranteed residual value, at the interest rate implicit in the lease.

Accounts payable
Accounts payable are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term. Subsequent to initial recognition, accounts payable are measured at amortized cost using the effective interest method.

Borrowings
Borrowings are measured at amortized cost using the effective interest method.

(j) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both. It is derecognized when it has either been disposed of or are permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses from derecognition of investment property is recognized in the consolidated statement of comprehensive income in the year of derecognition.

The Group's investment property is comprised of land that is held for capital appreciation and for rental. It is carried at its original purchase cost which comprises its purchase price and any directly attributable expenditure.

(k) Property and equipment

(i) Recognition and measurement
Except for land and building which are measured at fair market value, all other items of property and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

3. Significant accounting policies *(continued)*

(k) Property and equipment *(continued)*

(i) Recognition and measurement *(continued)*
Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of day-to-day servicing of property and equipment are recognized in the consolidated statement of income as incurred.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment.

(ii) Subsequent costs
The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of day-to-day servicing of property and equipment are recognized in the separate statement of income as incurred.

(iii) Depreciation
Depreciation is charged to the consolidated statement of income on the straight-line basis over the estimated useful lives of each part of an item of property and equipment. Leasehold improvements are amortized over the shorter of the lease term and their estimated useful lives. Depreciation methods, useful lives and residual values are reviewed at each reporting date. The estimated useful lives for the current and comparative years are as follows:

Building	40 to 50 years
Long-term improvements	20 years
Short-term improvements	5 years
Furniture, fittings and equipment	5 to 10 years
Computer equipment	5 to 8 years
Vehicles	5 years
Generator	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

3. Significant accounting policies *(continued)*

(k) Property and equipment *(continued)*

(iv) Revaluation of land and building

Following initial recognition at cost, land and building are carried at the re-valued amount, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on building and subsequent accumulated impairment losses, if any. The net carrying amount of the asset is adjusted to the revalued amount by eliminating the accumulated depreciation against the gross carrying amount. Valuations are performed periodically by an independent and qualified property valuation expert to ensure that the fair value of a re-valued asset does not differ materially from its carrying amount.

Any revaluation surplus is credited to the premises revaluation reserve included in the reserves section of the consolidated statement of financial position, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the consolidated statement of income, in which case the increase is recognised in the consolidated statement of income.

An annual transfer from the asset revaluation reserve to branch reserves and development fund reserve is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets' original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the assets and the net amount is restated to the revalued amount of the assets. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to branch reserves and development fund reserve.

(l) Software

Software acquired by the Group are stated at cost less accumulated amortization and accumulated impairment losses. Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortization is recognised in the consolidated statement of income on a straight-line basis over the estimated useful life of the intangibles, from the date that it is available for use. The estimated useful life of intangible asset is eight years.

(m) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

3. Significant accounting policies *(continued)*

(m) Impairment of non-financial assets *(continued)*

Any impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the profit or loss.

A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in the consolidated statement of income. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(n) Employee benefits

(i) Defined benefit plan

The Group sponsors a defined benefit pension plan for its employees. Operations commenced on January 1, 2001, under the temporary supervision of the Board, until a Trust Deed was formally sanctioned on March 4, 2005. The Anguilla Social Security Staff Pension Fund (the Staff Pension Fund) is contributory (funded on a bipartite basis by the Group and the present employees and those employees entering the service of the Group after commencement of said scheme and hold confirmed positions in the Group's employment). The plan assets are managed by the Staff Pension Fund.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Re-measurement comprising of actuarial gains and losses, the effect of asset ceiling (if applicable) and the return on plan assets (excluding interest) are recognized immediately in the statement of financial position with a charge or credit to other comprehensive income in the period in which they occur. Re-measurement recorded in other comprehensive income is not recycled. However, the entity may transfer those amounts recognized in other comprehensive income within equity. Past service cost is recognized in profit or loss in the period of plan amendment. 'Net interest expense or income' is calculated by applying the discount rate at the beginning of the year to the pension fund obligation or asset (net defined benefit liability or asset) as at the beginning of the year.

3. Significant accounting policies *(continued)*

(n) Employee benefits *(continued)*

(i) ***Defined benefit plan*** *(continued)*

Pension expense (defined benefit cost) is split into three categories:

- service cost, past service cost, gains and losses on curtailments and settlements;
- net interest expense or income; and
- re-measurement.

The Group presents the first two components of the pension expense (defined benefit cost) in the account 'Pension Expense' included in the 'Salaries, benefits and allowances to staff' reported under the line item 'Administrative and other expenses' in the statement of income. Curtailment gains and losses are accounted for as past service cost.

Re-measurements of the net defined obligation are recognized directly within other comprehensive income. The re-measurements include:

- Actuarial gains and losses
- Return on plan assets (interest exclusive)
- Any asset ceiling effects (interest exclusive).

The pension fund obligation or asset (net defined benefit liability or asset) recognized in the statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plan.

(ii)Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(o) Reserves and development fund

Reserves and development fund represents the net accumulated earnings/losses from short-term benefit branch, long-term benefit branch and social security development fund. The details of the income and expense distribution for this three branches are disclosed in notes 3(f,g,h) while the reserves allocation policy is based on the Social Security Act as disclosed in note 5(e)

3. Significant accounting policies *(continued)*

(p) Provision

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

When it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability unless the probability of outflow of economic benefits is remote.

(q) Related party transactions

Parties are considered related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. Transactions between related parties are based on terms similar to those offered to non-related parties.

(r) Subsequent events

Post year-end events that provide additional information about the Group's consolidated financial position as at reporting date (adjusting events) are reflected in the consolidated financial statements when material. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

(s) Comparatives

When necessary, comparative figures have been adjusted to conform to changes in the presentation in the current year.

4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Cash and cash equivalents

The carrying values of these financial assets approximate their fair values due to the short-term nature of these placements as at year-end.

(b) Loans, contributions and other receivables

The fair value of loans is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

4. Determination of fair values *(continued)*

(c) Other non-derivative financial assets

The carrying values of other non-derivative financial assets approximate their fair values due to the short-term nature of the related transactions.

(d) Property and equipment

The fair values of land and building are recognized based on market values. The market value of the property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

(e) Investment property

The fair value of investment property is recognized based on market values. The market value of the property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

5. Financial risk management

(a) Introduction and overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors has established the Investment Committee, which is responsible for developing and monitoring the Group's risk management policies in their specified areas. The committee has both executive and non-executive members and report regularly to the Board of Directors on their activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

5. Financial risk management *(continued)*

(a) Introduction and overview *(continued)*

The Board of Directors is responsible for monitoring compliance with the Group's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Group.

(b) Credit risk

At the reporting date, the Group’s credit exposure from financial instruments held is represented by the fair value of instruments with a positive fair value at that date, as recorded on the separate statement of income.

The risk that counterparties to equity and debt instruments carried at FVTPL and FVOCI and loans receivable might default on their obligations is monitored on an ongoing basis. In monitoring credit risk exposure, consideration is given to equity and debt instruments carried at FVTPL and FVOCI and loans receivable with a positive fair value and to the volatility of the fair value instruments.

To manage the level of credit risk, the Group deals with counterparties of good credit standing. In addition, the Group requires collateral in respect of loans granted to members. Partially unsecured borrowings are made against the member's personal contributions to the Group. Management has credit policy in place and credit evaluations are performed on all borrowers.

It is the Group's policy to limit its credit risk by restricting the amount of assets placed with any one investee or related group of investees.

The Group’s has three types of financial assets that are subject to the expected credit loss model:

- Financial assets at FVTPL and FVOCI *(see note 3(i))*
- Debt investments at amortized costs – long-term fixed deposits and loan receivables
- Cash in banks - savings account

PDs and LGDs for traded instruments were based on the global credit ratings assigned to the instruments or the country for sovereign exposures. PDs and LGDs for non-traded instruments were based on one notch below the credit rating of the sovereign in which the instrument is issued or on proxy ratings where they existed. Management applied judgemental overlays on local debt instruments. EAD equals the amortised security balance plus accrued interest.

5. Financial risk management *(continued)*

(b) Credit risk *(continued)*

Debt investments at amortized costs – long-term fixed deposits

Significant increase in credit risk
The Group continuously monitors foreign and domestic financial assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12-month ECL or lifetime ECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition. The Group applies credit rating scale to determine whether there has been a significant increase in credit risk. Credit risk is deemed to have increased significantly if the credit rating on foreign investment securities moved from investment grade to standard grade as set out below:

Credit quality of financial assets
The credit quality of financial assets is managed by the Group through external credit ratings used in ECL calculations. The table below shows internal and external grades used in ECL calculating.

When estimating ECLs on a collective basis for a group of similar assets, the Group applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

Description of grade	Rating levels	Moody's Rating
Investment grade	01 - 07	Aaa,Aa1,Aa2,Aa3,A1,A2,A3
Standard grade	08 – 17	Baa1,Baa2,Baa3,Ba1,Ba2,Ba3,B1,B2,B3,B
Low grade	18 – 21	Caa1,Caa2, Caa3, Ca
Default	22	C

The Group long-term fixed deposits amounting to EC$1,558,799 is rated B1-B3 equivalent on Moody's rating. However, based on history the Pension long-term fixed deposits maintained in a domestic bank, has no history of default, thus, no ECL is required as at December 31, 2018.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Management of market risk
Overall authority for management of market risk is vested in the Board of Directors, which is responsible for the development of detailed risk management policies and for the day-to-day review of their implementation. The Group exposure to market risk arises from its borrowings, held-to-maturity investment securities and available-for-sale investment securities.

5. Financial risk management *(continued)*

(c) Market risk *(continued)*

Foreign exchange risk
Substantially all the Group's transactions and assets and liabilities are denominated in Eastern Caribbean dollars or United States dollars. The exchange rate of the Eastern Caribbean dollar to the United States dollar has been formally pegged at EC$2.70 to US$1.00 since 19 July 1976. Therefore, the Group's exposure to foreign exchange risk is not considered significant.

Cash flow and fair value interest rate risk
Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Interest rate risk is affected where there is a mismatch between interest-earning assets and interest-bearing liabilities, which are subject to interest rate adjustments within a specified period.

The Group's interest rate risk arises from its long-term borrowings and held-to-maturity investment securities. Borrowings and held-to-maturity investment securities issued at variable rates expose the Group to cash flow interest rate risk. Borrowings and held-to-maturity investment securities issued at fixed rates expose the Group to fair value interest rate risk. The Group is exposed to cash flow and fair value interest rate risk as a result of its various held-to-maturity investment securities (see note 8).

(d) Liquidity risk

Liquidity risk is the risk arising from the potential inability to meet all payment obligations when they become due. The Board of Directors and key officers safeguard the ability of the Group to meet all payment obligations when they become due. To limit this risk, management arranges for diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a daily basis.

The Board of Directors is responsible for the management of liquidity risk. The Group's liquidity risk management framework is designed to identify measure and manage the liquidity risk position. The underlying policies are reviewed on a regular basis by the key officers of the Group and finally approved by the members of the Board of Directors.

The Financial and Accounting Regulations of the Social Security Act sets the capital requirements of the Group as a whole.

In implementing current capital requirements, the regulation requires that the Group transfer the excess of income over expenditure for each branch to a separate reserve at the end of the year.

5. Financial risk management *(continued)*

(e) Capital management

Regulatory reserves

The Group's regulatory reserves are analysed into three categories:

- Short-term Benefit Reserve;
- Long-term Benefit Reserve; and
- Social Security Development Fund Reserve.

The Group's policy is to maintain a strong capital base to sustain future development of the Group and finance approved benefits. The Group recognizes the need to maintain a balance between the higher benefit payments that might be possible, and the advantages and security afforded by a sound capital decision.

The Group has complied with all externally imposed capital requirements throughout the year.

There have been no material changes in the Group's management of capital during the year.

6. Critical accounting estimates and judgments

The Group makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experiences and other facts, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Allowance for impairment losses

Financial assets accounted are evaluated for impairment on the basis described in accounting policy Note 3(i), Impairment of Financial Assets and Note 5(b).

The carrying value of investment securities and contributions, loans and other receivables are disclosed in notes 8 and 9, respectively.

(b) Pension benefits assumptions

The costs, assets and liabilities of the defined benefit scheme operated by the Group are determined using methods relying on actuarial estimates and assumptions. Details of the key assumptions are set out in note 14. The Group takes advice from an independent actuary relating to the appropriateness of the assumptions. Changes in the assumptions may have a significant effect on the consolidated statement of comprehensive income and the consolidated statement of financial position.

6. Critical accounting estimates and judgments *(continued)*

(c) Determination of fair values

The Group determines the fair value of financial instruments that are not quoted, using valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. In that regard, the derived fair value estimates cannot always be substantiated by comparison with independent markets and, in many cases, may not be capable of being realized immediately.

The methods and assumptions applied, and the valuation techniques used, as disclosed in notes 4 and 24.

7. Cash and cash equivalents

	Notes	**2018**	2017
Cash on hand		**1,561,318**	444,288
Cash in bank			
Savings and demand deposits		**49,424,014**	34,857,219
		50,985,332	35,301,507
Less: Restricted cash	*13*	**(6,450,381)**	(6,450,381)
Contingency reserve	*13*	**(4,850,000)**	(4,000,000)
		39,684,951	24,851,126

The cash in bank represents deposits with local banks in Anguilla which earned interest at the rate of 0.02% - 1.0% per annum (2017: 0% - 1.0% per annum) for savings and demand deposits.

8. Investment securities - net

	Notes	**2018**	2017	2017
		IFRS 9	*IFRS 9*	*IAS 39*
Investments securities at amortised cost				
(HTM until December 31, 2017)	*8.1*	**17,736,717**	19,852,364	20,497,170
Investments at FVTPL	*8.2*	**35,708,928**	35,257,493	-
Investments at FVOCI				
(AFS until December 31, 2017)	*8.3*	**6,113,175**	6,101,175	41,358,667
		59,558,820	61,211,032	61,855,837

8. Investment securities – net *(continued)*

8.1 Investments at amortised cost

The following shows the breakdown of investments at amortised cost consisting of fixed deposits and investment in bonds by contractual maturity dates:

	Note	Due within one year	Due over one year	**2018**	2017	2017
				IFRS 9	*IFRS 9*	*IAS 39*
Fixed deposits						
British American Insurance Company		10,279,064	-	**10,279,064**	11,481,859	11,481,859
Scotiabank (Anguilla) Limited		7,120,212	-	**7,120,212**	6,617,734	6,617,734
National Commercial Bank of Anguilla Ltd.		913,836	-	**913,836**	2,180,490	2,180,490
Total fixed deposits		18,313,112	-	**18,313,112**	20,280,083	20,280,083
Investments in bonds						
Government of St. Lucia		55,556	7,849,487	**7,905,043**	7,960,693	7,960,693
Government of St. Kitts and Nevis		67,675	1,024,785	**1,092,460**	1,163,49	1,163,469
Government of St. Vincent and Grenadines		24,772	230,514	**255,286**	278,412	278,412
Total investments in bonds		148,003	9,104,786	**9,252,789**	9,402,574	9,402,574
Total investments at amortised cost (HTM until December 31, 2017)		18,461,115	9,104,786	**27,565,901**	29,682,657	29,682,657
Less allowance for impairment	*8.4*	(9,798,548)	(30,636)	**(9,829,184)**	(9,830,293)	(9,185,487)
		8,662,567	9,074,150	**17,736,717**	19,852,364	20,497,170

The fixed deposits carry interest rates ranging from .10% to 2.25% (2017: 0.10% to 2.25%) per annum while investments in bonds carry interest rates ranging from 3.00% to 7.50% (2017: 3.00% to 7.50% per annum).

8.2 Investments at fair value through profit or loss (FVTPL)

The Group's investments at fair value through profit or loss comprise of:

	Notes	**2018**	2017	2017
		IFRS 9	*IFRS 9*	*IAS 39*
Equity securities – International				
UBS Financial Services		**16,851,672**	16,462,853	-
Smith Barney		**18,857,176**	18,794,045	-
Merrill Lynch		**80**	595	-
		35,708,928	35,257,493	-

8. Investment securities - net *(continued)*

8.2 Investments at fair value through profit or loss (continued)

The movements in the fair value of investments at fair value through profit or loss follow:

	Notes	2018	2017	2017
		IFRS 9	*IFRS 9*	*IAS 39*
Beginning balance		**35,257,493**	27,696,893	-
Net addition		**3,225,839**	-	-
Net realized gain	*17.1*	**2,366,164**	1,331,854	-
Should be fair value balance		**40,849,496**	29,028,747	-
Ending balance		**35,708,928**	35,257,493	-
Net fair value change during the year	*17*	**(5,140,568)**	6,228,746	-

8.3 Investments at fair value through other comprehensive income (FVOCI)

	Notes	2018	2017	2017
		IFRS 9	*IFRS 9*	*IAS 39*
Equity securities – International				
UBS Financial Services		**-**	-	16,571,867
Smith Barney		**-**	-	19,033,565
Merrill Lynch		**-**	-	595
Anguilla European Masters Fund (AEMF)		**-**	-	262,838
		-	-	35,868,865
Equity securities – Local and regional				
National Bank of Anguilla		**-**	-	1,500,000
Anguilla Electric Company Limited (ANGLEC)		**4,587,750**	4,587,750	4,587,750
Eastern Caribbean Financial Holding Company (ECFHC)		**1,118,400**	1,106,400	3,000,000
Eastern Caribbean Home Mortgage Bank (ECHMB)		**331,400**	331,400	331,400
Eastern Caribbean Securities Exchange Limited		**75,625**	75,625	125,000
		6,113,175	6,101,175	9,544,150
Total investments at FVOCI (AFS until Dec. 31, 2017)		**6,113,175**	6,101,175	45,413,015
Less allowance for impairment losses	*8.4*	**-**	-	(4,054,348)
		6,113,175	6,101,175	41,358,667

The movements in the fair value of available-for-sale investment securities follow:

	Notes	2018	2017	2017
		IFRS 9	*IFRS 9*	*IAS 39*
Beginning balance		**-**	-	40,135,839
Net addition		**-**	-	-
Net realized gain	*17.1*	**-**	-	1,331,854
Should be fair value balance		**-**	-	41,467,693
Ending balance		**-**	-	45,413,015
Net fair value change during the year		**-**	-	3,945,322

8. Investment securities - net *(continued)*

8.3 Investments at fair value through other comprehensive income (FVOCI) (continued)

The movements of the “Unrealized (loss)/gain on available-for-sale investment securities” account in 2018 as a result of changes in the fair values are as follows:

	Notes	2018	2017	2017
		IFRS 9	*IFRS 9*	*IAS 39*
Unrealized loss/(gain) beginning of year		**(1,893,600)**	(1,680,000)	4,302,924
Net fair value change during the year		**12,000**	(213,600)	3,945,322
Unrealized loss/(gain) end of year		**(1,881,600)**	(1,893,600)	8,248,246

8.4 Allowance for impairment losses

	Notes	2018	2017	2017
		IFRS 9	*IFRS 9*	*IAS 39*
Balance at beginning of year				
Investments at amortised cost (HTM-2017)	*8.1*	**9,830,293**	9,185,487	9,185,487
Investments at FVOCI (AFS-2017)	*8.3*	**-**	-	4,034,063
Contributions, loans and other receivables	*9*	**34,506,713**	29,345,030	29,345,030
Other assets	*13*	**6,451,246**	6,450,381	6,450,381
		50,788,252	44,980,898	49,014,961
Impairment loss during the year				
Investments at amortised cost (HTM-2017)		**-**	644,806	-
Investments at FVOCI (AFS-2017)		**-**	-	129,600
Contributions, loans and other receivables		**2,285,614**	5,161,683	1,049,891
Other assets		**-**	865	-
		2,285,614	5,807,354	1,179,491
Recovery during the year				
Investments at amortised cost (HTM-2017)		**(1,109)**	-	-
Investments at FVOCI (AFS-2017)		**-**	-	(109,315)
Contributions, loans and other receivables		**(98,312)**	-	-
Other assets		**-**	-	-
		(99,421)	-	(109,315)
Written off during the year				
Contributions, loans and other receivables		**(1,300)**	-	-
Balance at end of year				
Investments at amortised cost (HTM-2017)	*8.1*	**9,829,184**	9,830,293	9,185,487
Investments at FVOCI (AFS-2017)	*8.3*	**-**	-	4,054,348
Contributions, loans and other receivables	*9*	**36,692,716**	34,506,713	30,394,921
Other assets	*13*	**6,451,246**	6,451,246	6,450,381
		52,973,145	50,788,252	50,085,137

8. Investment securities - net *(continued)*

8.4 Allowance for impairment losses (continued)

The impairment loss relates to the Group's investments, accrued interest receivable and contribution receivable with the following companies:

2018 (IFRS 9)	**Principal**	**Interest**	**Total**
Investments at amortised cost			
British American Insurance Company	9,797,946	298,876	**10,096,822**
Bonds of the Gov't of St. Kitts and Nevis	13,859	15	**13,874**
Bonds of the Gov't of St. Vincent & Grenadines	1,678	41	**1,719**
Bonds of the Gov't of St. Lucia	15,099	309	**15,408**
Fixed deposits with NCBA	602	62	**664**
Fixed deposits with Scotia Bank (Anguilla) Ltd.	-	-	**-**
	9,829,184	299,303	**10,128,487**
Loans and other receivables			
Government of Anguilla loans receivable	3,951,648	1,630	**3,953,278**
Other receivables (GOA)	25,519,981	1,861,797	**27,381,778**
	29,471,629	1,863,427	**31,335,056**
Other assets			
Contingency reserve	865	-	**865**
Restricted cash in bank	6,450,381	-	**6,450,381**
	6,451,246	-	**6,451,246**
Total before contributions and other receivable	45,752,059	2,162,730	**47,914,789**
Contributions allowance	-	4,285,727	**4,285,727**
Surcharges	-	525,523	**525,523**
Other receivable	-	247,106	**247,106**
Total allowance for impairment losses	45,752,059	7,221,086	**52,973,145**

8. Investment securities - net *(continued)*

8.4 Allowance for impairment losses (continued)

2017 (IFRS 9)	Principal	Interest	Total
Investments at amortised cost			
British American Insurance Company	9,797,946	298,876	10,096,822
Bonds of the Gov't of St. Kitts and Nevis	14,760	16	14,776
Bonds of the Gov't of St. Vincent & Grenadines	1,830	45	1,875
Bonds of the Gov't of St. Lucia	15,185	333	15,518
Fixed deposits with NCBA	572	7	579
Fixed deposits with Scotia Bank (Anguilla) Ltd.	-	-	-
	9,830,293	299,277	10,129,570
Loans and other receivables			
Government of Anguilla loans receivable	4,049,171	2,445	4,051,616
Other receivables (GOA)	25,203,161	1,861,797	27,064,958
	29,252,332	1,864,242	31,116,574
Other assets			
Contingency reserve	865	-	865
Restricted cash in bank	6,450,381	-	6,450,381
	6,451,246	-	6,451,246
Total before contribution	45,533,871	2,163,519	47,697,390
Contribution allowance	-	3,090,862	3,090,862
Total allowance for impairment losses	45,533,871	5,254,381	50,788,252

2017 (IAS 39)	Principal	Interest	Total
Government of Anguilla	16,791,447	10,273,511	27,064,958
British American Insurance Company	9,185,487	239,101	9,424,588
National Bank of Anguilla	7,950,381	-	7,950,381
Eastern Caribbean Financial Holding Company	1,893,600	-	1,893,600
UBS Financial Services	109,014	-	109,014
Smith Barney and Merrill Lynch	239,521	-	239,521
Anguilla European Masters Fund	262,838	-	262,838
Eastern Caribbean Securities Exchange	49,375	-	49,375
Total	36,481,663	10,512,612	46,994,275
Contributions and other receivables	-	3,090,862	3,090,862
	36,481,663	13,603,474	50,085,137

8. Investment securities - net *(continued)*

8.4 Allowance for impairment losses (continued)

Distribution of gross impairment loss (net of the recovery) follows:

	2018	2017	2017
	IFRS 9	*IFRS 9*	*IAS 39*
Short-term benefits branch	**262,116**	127,156	86,574
Long-term benefits branch	**1,855,007**	5,608,263	957,578
Social Security Development Fund	**69,070**	71,935	26,024
	2,186,193	5,807,354	1,070,176

Distribution of impairment loss (net of the recovery) on investments and interest receivables follows:

	2018 (IFRS 9)		2017 (IFRS 9)		2017 (IAS 39)	
	%	**Amount**	%	Amount	%	Amount
Short-term benefits branch	**0.87%**	**1,894**	0.87%	45,806	0.99%	5,224
Long-term benefits branch	**98.15%**	**213,379**	98.15%	5,167,615	97.93%	516,931
Social Security Development Fund	**0.98%**	**2,126**	0.98%	51,597	1.08%	5,686
	100.00%	**217,399**	100.00%	5,265,018	100.00%	527,841

Distribution of impairment loss (net of the recovery) on contribution receivables and surcharges follows:

	2018 (IFRS 9)		2017 (IFRS 9)		2017 (IAS 39)	
	%	**Amount**	%	Amount	%	Amount
Short-term benefits branch	**15%**	**258,058**	15%	81,350	15.00%	81,350
Long-term benefits branch	**81.25%**	**1,397,816**	81.25%	440,648	81.25%	440,647
Social Security						20,338
Development Fund	**3.75%**	**64,515**	3.75%	20,338	3.75%	
	100.00%	**1,720,389**	100.00%	542,336	100.00%	542,335

Distribution of impairment loss (net of the recovery) on other receivables:

	2018 (IFRS 9)		2017 (IFRS 9)		2017 (IAS 39)	
	%	**Amount**	%	Amount	%	Amount
Short-term benefits branch	**0.87%**	**2,164**	0.87%	-	0.99%	-
Long-term benefits branch	**98.15%**	**243,812**	98.15%	-	97.93%	-
Social Security Development Fund	**0.98%**	**2,429**	0.98%	-	1.08%	-
	100.00%	**248,405**	100.00%	-	100.00%	-

9. Contributions, loans and other receivables - net

	Notes	2018	2017
Contributions receivable		**10,134,796**	10,231,478
Loans receivable			
Government of Anguilla		**225,111,111**	230,666,667
Staff		**211,414**	405,728
Other		**30,881**	-
		225,353,406	231,072,395
Finance lease receivable	18	**36,867,324**	36,615,659
Other receivables			
Interest on fixed deposits		**142,665**	78,457
Interest on loans receivable		**92,846**	1,744,269
Other GOA receivable		**1,861,797**	1,861,797
Interest on investments in bonds		**468,364**	481,277
Interest-other		**116,242**	-
Rent receivable		**157,122**	154,355
Other		**126,356**	135,621
		2,965,392	4,455,776
Total contributions, loans and other receivables		**275,320,918**	282,375,308
Less allowance for impairment losses	8.3	**(36,692,716)**	(30,394,921)
		238,628,202	251,980,387

Contributions receivable include earned contributions as of year-end that is due from Social Security Board members and were collected subsequently. This amount is estimated by the Group based on actual collections subsequent to year end. This also includes known significant receivables from delinquent employers.

The gross contribution receivable does not include receivables from other delinquent members' that were not collected subsequently due to unavailability of reliable information. The Group believes that these receivables if recognized will be provided with corresponding allowance for impairment as a result of collections being doubtful, thus, resulting to a nil effect in the combined consolidated statement of comprehensive income.

Details of the Government loan follows:

		2018	2017	2017
		IFRS 9	*IFRS 9*	*IAS 39*
Loan I	*a*	**11,111,111**	16,666,667	16,666,667
Loan II	*b*	**214,000,000**	214,000,000	214,000,000
Total		**225,111,111**	230,666,667	230,666,667
Allowance for impairment losses	8.4	**(3,951,648)**	(4,049,171)	-
		221,159,463	226,617,496	230,666,667

9. Contributions, loans and other receivables - net *(continued)*

a. Government of Anguilla loan I represents borrowed funds amounting to fifty million Eastern Caribbean Dollars ($50 million). This borrowing was approved by the House of Assembly after presentation by the Honourable Minister of Finance on June 28, 2010 pursuant to Section 40 of the Financial Administration and Audit Act, R.S.A.c F27.

On July 29, 2010 and November 11, 2010, the Executive Council of Anguilla approved and authorized the Minister of Finance to sign the related agreements pertaining to the said loan as follows:

Disbursement Date	Loan Agreement Date	Security	Interest	Amount
November 19, 2010	December 30, 2010	Unsecured	5.00%	**50,000,000**

The loan is for a period of ten (10) years which commenced on November 19, 2010 and ending November 19, 2020. The loan is to be repaid in thirty-six (36) equal or approximately equal and consecutive quarterly instalments payable on each payment date commencing after the expiry of one (1) year following the initial drawdown date. The loan can also be prepaid by the borrower without penalty.

The current and non-current portion of this loan follows:

	2018	2017
Current	**5,555,556**	5,555,555
Non-current	**5,555,555**	11,111,112
	11,111,111	16,666,667

b. Government of Anguilla Loan II

On the 30th day of March 2016, The Anguilla House of Assembly passed the Bank Resolution Obligations Act (the "Act"), 2016. This Act was assented by the Governor on the 18th day of April 2016. This Act was passed to allow provisions for the Government of Anguilla to make payments to the Social Security Board and Depositor Protection Trusts in support of the resolution of the National Bank of Anguilla Limited and the Caribbean Commercial Bank (Anguilla) Limited conservatorship.

As a result of passing of the Act, the outstanding term deposits from the National Bank of Anguilla Limited and Caribbean Commercial Bank (Anguilla) Limited amounting to two hundred fourteen million Eastern Caribbean Dollars (EC$214 million) were transferred to the Government of Anguilla through the issuance of the promissory note and commitment letter. The promissory note and commitment letter to support the Bank Resolution Obligation Act were signed by the Government of Anguilla on June 29, 2016 and June 30, 2016, respectively. The Group accepted and signed the promissory note on August 17, 2016.

9. Contributions, loans and other receivables – net *(continued)*

b. Government of Anguilla Loan II *(continued)*

Details of the promissory note follows:

- The Government of Anguilla shall pay the Social Security Board the principal sum of EC$214 million.
- The Government of Anguilla shall pay interest on the reducing balance of the principal at the rate of 3% annually.
- The payment term is 25 years from 30th June 2016.
- Payments shall be made in quarterly installments.
- There is a five-year grace period on payments in respect of the principal sum with the first payment in respect of the principal sum to be made on 30th June 2021.
- The first payment in respect of the interest shall be made on 30th June 2016.

Also, term deposits and interest receivable amounting to EC$1,861,797 were not properly accounted during the passing of the Act and subsequently in the promissory note. As at today, this amount is being negotiated by the Group and yet to be accounted by the Government of Anguilla. Due to the current uncertainty, a 100% allowance for impairment was provided in the consolidated financial statements.

	2018	2017
Current	**6,420,000**	-
Non-current	**207,580,000**	214,000,000
	214,000,000	214,000,000

Total interest income recorded and collected as at December 31, 2018 amounted to EC$7,102,744 (2017: EC$7,380,521).

10. Property and equipment - net

Movements in this account are as follows:

	Land	Building & improvements	Furniture, fittings and equipment	Computer equipment	Vehicles	Generator	Total
At revalued amount							
December 31, 2016	2,649,277	6,304,019	952,020	660,561	102,966	211,267	10,880,110
Additions	-	152,761	42,501	51,601	-	6,801	253,664
Disposal	(32,259)	355,388	-	-	-	-	323,129
December 31, 2017	2,617,018	6,812,168	994,521	712,162	102,966	218,068	11,456,903
Additions	-	43,551	47,130	26,460	171,758	-	288,899
Disposal	-	-	-	-	(18,280)	-	(18,280)
December 31, 2018	**2,617,018**	**6,855,719**	**1,041,651**	**738,622**	**256,444**	**218,068**	**11,727,522**
Accumulated depreciation							
December 31, 2016	-	352,618	806,370	531,823	102,966	211,267	2,005,044
Depreciation for the year	-	341,778	56,865	64,985	-	567	464,195
Appraisal adjustment	-	(694,396)	-	-	-	-	(694,396)
December 31, 2017	-	-	863,235	596,808	102,966	211,834	1,774,843
Depreciation for the year	-	273,878	51,265	51,946	10,725	1,360	389,174
Disposal	-	-	-	-	(18,280)	-	(18,280)
December 31, 2018	**-**	**273,878**	**914,500**	**648,754**	**95,411**	**213,194**	**2,145,737**
Carrying amount							
December 31, 2017	2,617,018	6,812,168	131,286	115,354	-	6,234	9,682,060
December 31, 2018	**2,617,018**	**6,581,841**	**127,151**	**89,868**	**161,033**	**4,874**	**9,581,785**

	Land	Building & improvements	Furniture, fittings and equipment	Computer equipment	Vehicles	Generator	Total
At cost							
December 31, 2016	745,533	6,613,018	952,020	660,561	102,966	211,267	9,285,365
Additions	-	152,761	42,501	51,601	-	6,801	253,664
Disposal	-	-	-	-	-	-	-
December 31, 2017	745,533	6,765,779	994,521	712,162	102,966	218,068	9,539,029
Additions	-	43,551	47,130	26,460	171,758	-	288,899
Disposals	-	-	-	-	(18,280)	-	(18,280)
December 31, 2018	**745,533**	**6,809,330**	**1,041,651**	**738,622**	**256,444**	**218,068**	**9,809,648**
Accumulated depreciation							
December 31, 2016	-	2,506,983	806,370	531,823	102,966	211,267	4,159,409
Depreciation for the year	-	281,944	56,865	64,985	-	567	404,361
Disposal	-	-	-	-	-	-	-
December 31, 2017	-	2,788,927	863,235	596,808	102,966	211,834	4,563,770
Depreciation for the year	-	177,839	51,265	51,946	10,725	1,360	293,135
Disposals	-	-	-	-	(18,280)	-	(18,280)
December 31, 2018	**-**	**2,966,766**	**914,500**	**648,754**	**95,411**	**213,194**	**4,838,625**
Carrying amount							
December 31, 2017	745,533	3,976,852	131,286	115,354	-	6,234	4,975,259
December 31, 2018	**745,533**	**3,842,564**	**127,151**	**89,868**	**161,033**	**4,874**	**4,971,023**

10. Property and equipment - net *(continued)*

The Group's land and building were revalued on December 31, 2017 by an independent and qualified valuator, Can Engineering Limited. The value was estimated using the income approach method of valuation.

Annual transfers from the premises revaluation reserve to branch reserves (i.e. Short-term Benefits Branch Reserve and Long-term Benefits Branch Reserve) and Social Security Development Fund accounts are made for the difference between depreciation based on the re-valued carrying amount of the assets and depreciation based on the assets' original cost. At December 31, 2018, depreciation of $96,039 (2017: $59,834) from Premises Revaluation Surplus account is transferred to branch reserves (allocated to Short-term Benefits Branch Reserve: $14,406 (2017: $8,975); Long-term Benefits Branch Reserve: $78,032 (2017: $48,615) and Social Security Development fund: $3,601 (2017: $2,244).

Movements in the Premises Revaluation Surplus account are as follows:

	2018	2017
Revaluation surplus, beginning of year	**4,706,801**	3,749,110
Depreciation for the year	**(96,039)**	(59,834)
Revaluation reserve adjustment	**-**	1,017,525
Revaluation surplus, end of year	**4,610,762**	4,706,801

11. Intangible asset - net

Movements in this account follow:

	2018	2017
Cost		
Beginning balance	**1,929,854**	1,586,769
Acquisition during the year	**38,144**	343,085
Ending balance	**1,967,998**	1,929,854
Accumulated amortization		
Beginning balance	**1,485,570**	1,378,384
Amortization for the year	**96,961**	107,186
Ending balance	**1,582,531**	1,485,570
Carrying amount	**385,467**	444,284

12. Investment property

Investment property pertains to the acquired property comprising of approximately 2.42 acres of land located in Sandy Ground, Anguilla. The land was purchased by the Group on behalf of the Anguilla Air and Seaports Authority (AASPA) for the Road Bay Development Project. This land will either be rented to AASPA or will be transferred to AASPA through land swap. Details of this accounts are as follows:

	Amount
Purchased price	1,344,181
Legal fee	11,042
Stamp duty and other	33,753
Total	**1,388,976**

The fair value of the property approximates the original purchase cost considering that the purchased was made only last year. There are no indicators that the values of comparative properties where the investment of the Group is located significantly increased during the year.

13. Other assets

		2018	2017	2017
		IFRS 9	*IFRS 9*	*IAS 39*
Restricted – cash in bank	*7*	**6,450,381**	6,450,381	6,450,381
Contingency reserve	*7*	**4,850,000**	4,000,000	4,000,000
Prepayments		**163,017**	72,176	72,176
Stationery and computer supplies		**78,920**	49,365	49,365
Others		**3,665**	-	-
Total other assets		**11,545,983**	10,571,922	10,571,922
Allowance for impairment losses	*8.4*	**(6,451,246)**	(6,451,245)	(6,450,381)
		5,094,737	4,120,677	4,121,541

The 'Contingency reserve' account was established to meet any unforeseen or abnormal expenditure which the current income of the Group may not be sufficient to cover, or to make good any unforeseen or abnormal reduction of income. This contingency reserve is increased to an amount equivalent to the average expenditure of the Group for the provision of benefits and administration for two (2) months. The contingency reserve as at December 31, 2018 is maintained in a savings deposit at the National Commercial Bank of Anguilla. In 2018 and 2017, this reserve was maintained in the form of restricted fixed deposits which bears interest at a rate ranging from 1.80% - 4.25% per annum.

The 'Restricted-cash in bank' account pertains to the Group savings deposits with account numbers 2045326 and 1026780 maintained with the National Bank of Anguilla (NBA) that were transferred to the Receiver as a result of the passing of the Bank Resolution Obligation Act. Access to these funds will be subject to the priority in payment of claims rules outlined in the Banking Act of 2015 and these balances can only be made when the receivership is in a position to repay all depositors. As of now, the Group is still trying to resolve the matter and recover the funds that are currently with the receiver. However, there are no assurance on how much will be recovered by the Group, thus, a 100% allowance for impairment was provided.

14. Pension fund obligation

Pursuant to the provisions of Section 16(1) of the Social Security Act (Chapter 45), an actuarial review of the operations of the Group, the financial condition of the fund and the adequacy of the contributions to support benefits was carried out as at 31 December 2018 by an independent actuary, Mr. Hernando Perez Montas. This actuarial review which is updated every three (3) years is necessary in assessing the experience of the preceding three years and future cost trends. Details of the actuarial review are as follows:

	2016	2013
Retired persons	**147,456,824**	93,909,811
Active participants	**705,639,898**	536,592,397
Total Accumulated Benefit Obligations (ABO)	**853,096,722**	630,502,208
Less net assets available for benefits (ASS)	**323,610,000**	272,761,518
Unrecognized Projected Obligation (PBO-ASS)	**529,486,722**	357,740,690

The key assumptions and methods used in this calculation were as follows:

	2016	2013
Mortality table	**GAM-83 (USA)**	GAM-83 (USA)
Discount	**3% (2% real)**	4% (2% real)
Salary scale	**2%**	2%
Termination assumption (basically foreign workers)	**0.07 to .03 (20/59 years)**	.07 to .03 (20/59 years)
Loading factor for complementary benefits:	**5%**	5%

As detailed above, there is a difference of $529,486,722 (2013: $$357,740,690) between the reserves of the Fund and the actuarial present value of projected benefit obligations. The unfunded or unrecognized actuarial obligation is not strictly an obligation of the Government but also of stakeholders. Section 16 and 18 of the Act states that the rates of contributions payable by employees and employers shall be prescribed in accordance with the actuarial recommendations, which shows that future generations of stakeholders shall be responsible for the actuarial sustainability of the scheme.

Aside from the Group's pension scheme to its members, the Group also sponsors funded defined benefit plan for qualifying existing and former employees. The defined benefit plan is administered by a separate Fund, the Anguilla Social Security Staff Pension Fund (Staff Pension Fund) that is legally separated from the Group.

The Board of the Staff Pension Fund is composed of an equal number of representatives from both employer and employees. The Board of the Staff Pension Fund is required by law or by the Trust Deed to act in the interest of the fund and of all relevant stakeholders in the scheme i.e. active employees, retirees, and employer. The Board of the Staff Pension Fund is responsible for setting the investment, contribution and other policies relating to the fund.

The pension plan is exposed to a number of risks, including:

a. Investment risk: movement of discount rate used (high quality corporate bond or regional investments) against the return from plan assets.
b. Interest rate risk: decreases/increases in the discount rate used (high quality corporate bond or regional investments) will increase/decrease the defined benefit obligation.

14. Pension fund obligation *(continued)*

c. Longevity risk: changes in the estimation of mortality rates of current and former employees.
d. Salary risk: increases in future salaries increase the gross defined benefit obligation.

No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out as at December 31, 2018 by Hernando Perez Montas, Fellow of the International Actuarial Association. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The amounts recognized in the consolidated statement of financial position are as follows:

	2018	2017
Present value of obligations	**12,878,326**	11,723,268
Fair value of plan assets	**(3,872,142)**	(3,576,985)
Pension fund obligation	**9,006,184**	8,146,283

Pension expense recognized in the consolidated statement of income is shown below:

	Notes	**2018**	2017
Service cost			
Current service cost		**196,644**	270,120
Net interest cost		**394,221**	393,391
Component of pension expense recorded in statement of income	*22.1*	**590,865**	663,511
Re-measurement of the pension fund obligation			
Actuarial gains on plan assets (excluding interest)		**(31,090)**	(32,417)
Actuarial (loss)/gains arising from the defined benefit obligation		**530,656**	(302,715)
Component of pension expense recorded in other comprehensive income		**499,566**	(335,132)
Total pension expense		**1,090,431**	328,379

Distribution of pension expense recognized in other comprehensive income follows:

	2018		2017	
	%	**Amount**	%	Amount
Short-term benefits branch	**16.78%**	**(83,810)**	17.50%	58,633
Long-term benefits branch	**83.22%**	**(415,756)**	82.50%	276,499
		(499,566)	100.00%	335,132

14. Pension fund obligation *(continued)*

The movements in the present value of obligations are as follows:

	2018	2017
Beginning of year	**11,723,268**	11,308,833
Current service cost	**196,644**	270,120
Interest cost	**581,283**	559,196
Contribution by plan participants	**115,202**	112,487
Benefits and expenses paid	**(268,727)**	(224,653)
Actuarial (loss)/gain	**530,656**	(302,715)
End of year	**12,878,326**	11,723,268

The movements in the fair value of plan assets are as follows:

	2018	2017
Beginning of year	**3,576,985**	3,265,657
Expected return on assets	**187,062**	166,103
Employer contributions	**230,530**	224,974
Contribution by plan participants	**115,202**	112,487
Benefits and expenses paid	**(268,727)**	(224,653)
Actuarial gains	**31,090**	32,417
End of year	**3,872,142**	3,576,985

The major categories of plan assets at the end of each reporting year for each category are as follows:

	2018	2017
Cash in bank, net of accounts receivable, payable and accrued expenses	**288,214**	25,709
Loans to members net of impairment	**1,596,024**	1,391,134
Fixed deposits	**1,558,799**	1,775,343
Money market funds	**344,458**	353,283
	3,787,495	3,545,469

Actual return on plan assets	**178,653**	177,548

14. Pension fund obligation *(continued)*

Loans to members are owed by the following:

	2018	2017
Key management personnel of the Group	**704,147**	516,704
Others	**941,238**	917,455
	1,645,385	1,434,159

Fixed deposits follow:

	2018	2017
National Commercial Bank of Anguilla	**1,558,799**	1,775,343
	1,558,799	1,775,343

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	2018	2017
Discount rate	**5%**	5%
Expected rate of salary increase	**2%**	2%
Mortality table	**GAM - 83**	GAM - 83

Defined benefit obligation - sensitivity analysis

The impact of the value of the defined benefit obligation of a reasonably possible change to one actuarial assumption, holding all other assumption constant, is presented in the table below:

Actuarial assumption	Reasonably Possible Change	Variation if discount rate decreased by 1%	Variation if discount rate increased by 1%
Variation in DBO with a 1% increase/(decrease) in discount rate	(+/- 1.00%)	(9.19%)	10.80%
Present value of defined benefit obligation		12,878,326	12,878,326
(Decrease)/Increase in the defined benefit obligation		(1,183,518)	1,390,859

15. Social Security Development Fund Reserve

The Social Security Development Fund Reserve was created in 2004. Since its creation, the Group had transferred $250,000 each year from the Social Security Development Fund to create a Social Security Development Fund Reserve for future projects should the statutory funding for the Development Fund be eliminated. In year 2017, EC$450,000 was transferred back to the Social Security Development Fund to fund existing projects while during the year additional EC$250,000 was transferred.

16. Contribution income

	2018	2017
Contribution – employers	**15,713,027**	14,160,839
Contribution – employees	**15,713,027**	14,160,839
	31,426,054	28,321,678
Less refunds	**(63,508)**	(133,338)
	31,362,546	28,188,340
Contributions - self employed	**344,686**	337,800
	31,707,232	28,526,139

	%	2018	2017
Short-term benefits branch	*15.00%*	**4,756,085**	4,278,921
Long-term benefits branch	*81.25%*	**25,762,126**	23,177,488
Social Security Development Fund	*3.75%*	**1,189,021**	1,069,730
	100.00%	**31,707,232**	28,526,139

17. Investment income

		2018	*2017*	2017
		IFRS 9	*IFRS 9*	*IAS 39*
Interest income				
Loan – Government of Anguilla		**7,102,744**	7,380,521	7,380,521
Bonds		**597,179**	613,765	613,765
Fixed deposits (Local banks)		**150,033**	84,693	84,693
Savings and demand deposits		**17,799**	12,076	12,076
Loan – ADB		**-**	4,934	4,934
Staff loans		**1,858**	2,196	2,196
Others		**93,056**	-	-
Total interest income		**7,962,669**	8,098,185	8,098,185
Dividend income				
ECHMB shares		**17,813**	17,813	17,813
ANGLEC		**91,755**	-	-
Total investment income		**109,568**	17,813	17,813
Realized gains/(losses) from overseas equity securities				
Smith Barney		**1,268,142**	620,603	620,603
UBS Financial Services		**1,098,022**	717,509	717,509
Merrill Lynch		**-**	(6,258)	(6,258)
Total realized income	*17.1*	**2,366,164**	1,331,854	1,331,854
Net change in fair value of equity investments at FVPL				
Smith Barney		**(2,817,933)**	3,594,951	-
UBS Financial Services		**(2,322,635)**	2,633,795	-
Total fair value change during the year		**(5,140,568)**	6,228,746	-
Total investment income	*8.2*	**5,297,833**	15,676,598	9,447,852

17. Investment income *(continued)*

Related interest and dividend receivables are included in the contributions, loans and other receivables account in the consolidated statement of financial position (see note 9).

17.1 Realized gain from overseas equity securities

The following table shows the gains and losses from available-for-sale investment securities which were recognized in the consolidated statement of income:

	UBS Financial Services	Smith Barney	Merrill Lynch	**2018**	2017
Dividend and interest income	358,879	373,643	-	**732,522**	581,796
Gains on disposals	993,827	1,153,590	-	**2,147,417**	1,185,085
Management fee and others	(254,684)	(259,091)	-	**(513,775)**	(435,027)
	1,098,022	1,268,142	-	**2,366,164**	1,331,854

Distribution of investment income is as follows:

	2018		*2017*		2017	
	IFRS 9		*IFRS 9*		*IAS 39*	
	%	**Amount**	%	Amount	%	Amount
Short-term benefits branch	0.87%	**46,161**	0.87%	136,592	0.99%	93,503
Long-term benefits branch	98.15%	**5,199,870**	98.15%	15,386,720	97.93%	9,252,570
Social Security Dev. Fund	0.98%	**51,802**	0.98%	153,286	1.08%	101,779
	100.00%	**5,297,833**	100.00%	15,676,598	100.00%	9,447,852

18. Leases

Details of lease income per type of lease follow:

	Note	**2018**	2017
Finance lease - land		**316,820**	507,555
Finance lease – fire truck		**67,145**	72,325
Operating lease		**168,028**	112,128
	9	**551,993**	692,008

a) Operating lease

The Group leases a portion of its building to various tenants. The lease income, net of expenses incurred for the upkeep and maintenance of the building, is as follows:

	2018	2017
Rental income	**263,451**	268,069
Less: maintenance expenses	**(95,423)**	(155,941)
	168,028	112,128

18. Leases *(continued)*

a) Operating lease (continued)

Related receivables are included in the Contributions, loans and other receivables account in the consolidated statement of financial position (see note 9).

b) Finance lease

Details of gross finance lease receivable per type follow:

	2018	2017
Finance lease – land	**35,885,680**	35,568,860
Finance lease – fire truck	**981,644**	1,046,799
	36,867,324	36,615,659

Land

	2018	2017
Finance lease receivable	**27,157,146**	27,157,146
Finance lease earned income receivable	**8,728,534**	8,411,714
	35,885,680	35,568,860
Allowance for impairment losses	**(25,519,981)**	(25,203,161)
	10,365,699	10,365,699

The lease property pertains to the acquired Cinnamon Reef property comprising of 10.07 acres of land, with constructed building and improvements located in Little Harbour, Anguilla from NBA Assets Limited, a subsidiary of National Bank of Anguilla Limited, for US$7,500,000 (EC$20,250,000) on March 30, 2009. The purchase price was based on the appraisal conducted by Can Engineering Ltd on July 25, 2006 and such price was agreed by both parties.

In a meeting of the Executive Council of the Government of Anguilla held on March 20, 2009, the Executive Council agreed that the Ministry of Social Development should indicate to the Company its willingness to engage in a lease and purchase agreement with respect to the Cinnamon Reef property.

Lease agreement
On January 19, 2010, the lease and purchase agreement was signed by the Government of Anguilla (lessee) and the Group (lessor). Significant provisions of the agreement are as follows:

i. The lessor leases the property to the lessee for a 10-year term, and the lessee hereby agrees to purchase the property at any time during the term of the lease, both in consideration of the lease payments and upon the terms and conditions of the agreement.

18. Leases *(continued)*

b) Finance lease (continued)

Land *(continued)*

Lease agreement (continued)

ii. The lessee agrees to pay the lessor monthly lease payments of $300,000 commencing on February 1, 2010.

iii. The purchase price of the property amounted EC$20,250,000, less the total sum of any loan payments made by the lessor pursuant to the loan facility.

Considering the above provisions, the Group recognized the lease as a finance lease recognizing a profit at the inception amounting to EC$6,907,146 and finance lease earned income amounting to EC$7,904,159 as at December 31, 2017 and additional finance lease earned income in 2018 amounting to EC$316,820 (2017: EC$507,555)

Status of the lease

In a letter from the Government of Anguilla, dated 20 May 2011 addressed to Mr. Carlyle Franklin, Corporate Secretary of the ASSIDCO, the Government advised that they are no longer interested in the acquisition of the Cinnamon Reef and desirous of bringing closure to the lease and purchase agreement.

In a letter response by the Group, they specifically stated that they reject any attempt by the Government to unilaterally and arbitrarily terminate the lease and purchase agreement. The Group emphasizes that the lease and purchase agreement is validly subsisting and remains in full force and effect.

Any termination must be in accordance with the procedures laid down in the agreement regarding default by the lessee which states as follow:

" If the Lessee defaults hereunder, the lessor shall have such remedies as the lessor shall be entitled to at law or in equity, including but not limited to, specific performance to enforce the Lessee's obligation hereunder."

Further on 11 October 2012, after consultation with legal counsel, the Group sent a letter to the Government of Anguilla as follows:

a. The Group reject any attempt by Government to unilaterally and arbitrarily terminate the lease and purchase agreement.

b. Remind Government of Anguilla that as the present date the said Agreement is validly subsisting and remains in full force and effect.

c. Any termination must be in accordance with the procedures laid down in the Agreement regarding default by the lessee.

18. Leases *(continued)*

b) *Finance lease (continued)*

Land *(continued)*

Lease property for sale
Currently, the Group is planning to sell the property to an interest developer. A proposal is being reviewed by both parties as at the reporting date. The asking price for the property as approved by the Board of Directors amounted to EC$26,882,000.

Lease property classification as non-current assets held-for-sale
Based on IFRS 5, non-current assets held-for-sale, the Group met the requirement of IFRS 5 on the intention and commitment of the management which was evidenced by entering into a proposed sale of the property.

However, the condition did not meet the requirement of IFRS 5, on the expectation of recognition as a completed sale within one year from the date of classification as until today the sale proposal is not approved by both parties. Additionally, the price being asked for the property is significantly above the current appraisal value and is not reasonable compared to the asking price.

Lease property as finance lease receivables
IAS 17 Leases par 13, states that changes in estimates (for example, changes in estimates of the economic life or of the residual value of the lease property), or changes in circumstances (for example, default by the lessee), do not give rise to a new classification of a lease for accounting purposes. The Group will continue to classify and present the lease property as finance lease receivable until the property is sold or the final agreement on joint venture is approved.

Impairment of lease
As at December 31, 2013, the Group's lease property was revalued by an independent and qualified appraiser, Can Engineering Ltd., who used the comparative sales method of valuation (market approach). The revalued amount on the appraisal dated April 1, 2014 ranges from EC$9,704,402 – EC$11,026,996.

The Group property was revalued again by an independent and qualified appraiser, Can Engineering Ltd., who used the comparative sales method of valuation (market approach). The revalued amount on the latest appraisal dated December 7, 2018 however was not recorded and reported by the Group in the financial statements as at and for the year ended December 31, 2018.

As at December 31, 2018, the Government was not able to fulfil its obligation to the Group for the rental of the property since the inception of the lease. The total outstanding obligation amounted to EC$28,800,000. Considering the default of the Government, the Group provided allowance for impairment for the whole amount of income related to the lease amounting to EC$15,635,680 (2017: EC$15,318,860) and the total amount of decline in the value of the leased property amounting to EC$9,884,301 (2017: EC$9,884,301). Total allowance for impairment to date amounted to EC$25,519,981 (2017: EC$25,203,161).

18. Leases *(continued)*

b) Finance lease (continued)

Land *(continued)*

The future minimum finance lease receivables are as follows:

2018	Gross Investment	Unearned Income	Minimum Finance Lease Receivable
Past due	32,400,000	-	**32,400,000**
Less than one year	3,600,000	114,320	**3,485,680**
Between one and five years	-	-	**-**
	36,000,000	114,320	**35,885,680**

2017	Gross Investment	Unearned Income	Minimum Finance Lease Receivable
Past due	28,800,000	-	28,800,000
Less than one year	3,600,000	316,820	3,283,180
Between one and five years	3,600,000	114,320	3,485,680
	36,000,000	431,140	35,568,860

There are no unguaranteed residual values accruing to the benefit of the lessor and contingent rents recognized as income during the lease period.

Fire Truck
On 21st of April 2017, the Group (lessor) signed an eight-year firetruck lease agreement with the Anguilla Air and Seaports Authority and the Government of Anguilla (lessees) commencing on the on the date of the lease agreement. The lessees shall have the option to purchase the equipment from the lessor upon the expiration of the lease term.

The lessees will jointly pay to the lessor the monthly rental payment amounting to EC$14,700 during the lease term. The rental payments is based on the following assumptions:

i. the monthly average of the rate of return on the investment of up to 7% per annum;
ii. the average monthly depreciation of the Equipment over the Lease; and
iii. the operating costs paid to third parties and met directly by the lessor and recovered in the Rental Payments.

18. Leases *(continued)*

b) Finance lease (continued)

Fire Truck *(continued)*
Details of the recognized finance lease receivables based on the present value of the minimum lease payment using the interest rate implicit in the lease follow:

	2018	2017
Total fire truck value	**1,077,374**	1,077,374
Paid to date	**(235,000)**	(102,900)
Finance lease charge to date	**139,470**	72,325
Finance lease receivables	**981,644**	1,046,799

Distribution of lease income net of maintenance expenses follows:

	2017		2017	
	%	Amount	%	Amount
Short-term benefits branch	**0.87%**	**4,809**	0.99%	6,848
Long-term benefits branch	**98.15%**	**541,786**	97.93%	677,705
Social Security Development Fund	**0.98%**	**5,398**	1.08%	7,455
	100.00%	**551,993**	100.00%	692,008

Details of future minimum lease payments follows:

	2018	2017
Past due	**82,237**	38,138
Less than one year	**176,400**	176,400
Between one and five years	**882,000**	882,000
More than five years	**57,341**	233,741
	1,197,978	1,330,279

19. Fines and miscellaneous income

	2018	2017
Surcharges and additional surcharges	**241,946**	791,099
Other	**7,848**	73,270
	249,794	864,358

Distribution of fines and miscellaneous income follows:

	%	2018	2017
Short-term benefits branch	50.00	**124,897**	432,179
Long-term benefits branch	50.00	**124,897**	432,179
	100.00	**249,794**	864,358

20. Benefit expenses

	2018	2017
Short-term benefits		
Sickness	**2,875,143**	2,443,723
Maternity	**804,638**	893,660
Funeral	**368,710**	330,000
	4,048,491	3,667,383
Long-term benefits		
Age	**12,177,547**	10,166,826
Invalidity	**2,000,347**	1,701,058
Survivors	**1,644,590**	1,526,359
Non-contributory old age pension	**589,838**	612,903
Unemployment benefit	**1,502,796**	288,076
	17,915,118	14,295,222
	21,963,609	17,962,605

21. Social Security Development Fund

The Group's Social Security Development Fund was established in 1986 as a vehicle to fund socially desirable projects that would benefit the citizens of Anguilla. The Social Security Development Fund contributes to human well-being and the progress of society through sports development, education, health services, environmental protection, economic development and community revitalization.

The following shows the projects funded by Social Security Development Fund in 2018 and 2017.

	2018	2017
Economic Development	**419,462**	156,158
Sports Development	**363,779**	181,530
Education	**282,112**	133,824
Health Services	**224,035**	25,983
Arts and Culture	**152,958**	109,044
Community Revitalization	**42,531**	16,938
Public Safety and others	**9,678**	80,784
James Ronald Webster expenses	**-**	21,710
National Heritage Site	**-**	629,420
	1,494,555	1,355,391

22. Administrative and other expenses

	Notes	2018	2017
Salaries, benefits and allowances to staff	*22.1*	**5,055,945**	4,971,041
Administration expenses	*22.2*	**2,301,920**	1,901,294
Allowances and expenses of the Board and Investment Committee		**427,727**	353,008
		7,785,592	7,225,343
Other expenses	*10*	**206,052**	274,902
		7,991,644	7,500,245

Other expense pertains to depreciation of the Group's premises that are being leased out.

Distribution of administrative expenses follows:

	2018		2017	
	%	**Amount**	%	Amount
Short-term benefits branch	**16.78%**	**1,306,422**	17.50%	1,264,435
Long-term benefits branch	**83.22%**	**6,479,170**	82.50%	5,960,908
	100.00%	**7,785,592**	100.00%	7,225,343

Distribution of other expenses follows:

	2018		2017	
	%	**Amount**	%	Amount
Short-term benefits branch	**50%**	**103,026**	50.00%	137,451
Long-term benefits branch	**50%**	**103,026**	50.00%	137,451
	100%	**206,052**	100.00%	274,902

Distribution of administrative and other expenses follows:

	2018	2017
Short-term benefits branch	**1,409,171**	1,401,564
Long-term benefits branch	**6,582,473**	6,098,681
	7,991,644	7,500,245

22. Administrative and other expenses *(continued)*

22.1 Details of salaries, benefits and allowances to staff follow:

	Note	**2018**	2017
Salaries and wages		**3,926,231**	3,841,252
Pension expense	*14*	**590,865**	663,511
Employee insurance		**192,563**	181,050
Social security contribution		**139,014**	134,740
Employee travel allowance		**56,830**	47,400
Acting allowance		**56,768**	-
Staff allowance		**84,784**	44,921
Staff pension		**6,565**	50,172
Employee uniform allowance		**2,325**	7,995
		5,055,945	4,971,041

The breakdown of personnel as at December 31, 2018 and 2017 follows:

	2018	2017
Management	**11**	11
Non-management	**27**	25
Temporary	**2**	1
	40	37

22.2 Details of administration expenses follow:

	Notes	**2018**	2017
Professional fees		**531,482**	380,723
Human resource development expense		**326,340**	159,391
Depreciation and amortization	*10, 11*	**280,083**	315,047
Utilities		**197,443**	180,404
Overseas travel and lodging		**177,394**	159,256
Repairs and maintenance		**170,901**	175,088
Social Security Board special events		**125,055**	90,079
Insurance		**20,811**	6,073
Other expenses		**472,411**	435,233
		2,301,920	1,901,294

23. Related party transactions

a. Identification of related party

A party is related to the Group if:

(i) Directly or indirectly the party:
- Controls, is controlled by, or is under common control with the Group
- Has an interest in the Group that gives it significant influence over the Group or
- Has joint control over the Group;

(ii) The party is a member of the key management personnel of the Group;
(iii) The party is a close member of the family of any individual referred to in (i) or (ii); and
(iv) The party is a post-employment benefit plan for the benefit of employees of the Group or any company that is a related party of the Group.

b. Related party transactions and balances

A number of transactions have been entered into with related parties in the normal course of business as at December 31, 2018 and 2017.

(i) The Group's savings and demand deposits account, fixed deposits, investment in shares and an overdraft were also held at National Bank of Anguilla Limited (NBA) in Liquidation, a registered employer since inception. The following funds are held at NBA as of December 31, 2018:

	Notes	**2018**	2017
Investment	*8*	1,500,000	1,500,000
Restricted savings deposit	*7, 13*	6,450,381	6,450,381
Funds held end of year		7,950,381	7,950,381
Funds held beginning of year		(7,950,381)	(7,950,381)
Decrease in funds held		-	-

Details of interest income, bank charges and accrued interest receivable for the above assets follow:

	2018	2017
Interest income	**-**	-
Accrued interest receivable	**-**	-

23. Related party transactions *(continued)*

b. Related party transactions and balances (continued)

(ii) The Group savings and demand deposits and fixed deposits account were also held at Scotiabank (Anguilla) Limited, a registered employer, since inception. The following funds are held at Scotiabank as of December 31, 2018 and 2017:

	Notes	2018	2017
Savings and demand deposits	*7*	**39,009,614**	18,170,621
Fixed deposits	*8, 13*	**7,120,213**	10,617,733
Funds held end of year		**46,129,827**	28,788,354
Funds held beginning of year		**(28,788,354)**	(19,090,551)
Increase in funds held		**17,341,473**	9,697,803

Details of interest income and accrued interest receivable for the above assets follow:

	2018	2017
Interest income	**55,716**	39,916
Accrued interest receivable	**48,594**	33,557

The total interest income amount includes the accrued interest receivable outstanding as at year end.

(iii) The Group's savings and demand deposits accounts and fixed deposits were also held at National Commercial Bank of Anguilla Ltd (NCBA), a registered employer, since inception and wholly-owned by the Government of Anguilla. The following funds are held at NCBA as of December 31, 2018 and 2017:

	Notes	2018	2017
Savings and demand deposits	*7*	**3,964,019**	6,236,217
Fixed deposits	*8*	**913,836**	2,180,490
Funds held end of year		**4,877,855**	8,416,707
Funds held beginning of year		**(8,416,707)**	5,756,676
(Decrease)/increase in funds held		**(3,538,852)**	2,660,031

Details of interest income and accrued interest receivable for the above assets follow:

	2018	2017
Interest income	**94,316**	-
Accrued interest receivable	**94,071**	44,899

The total interest income amount includes the accrued interest receivable outstanding as at year-end.

23. Related party transactions *(continued)*

b. Related party transactions and balances (continued)

(iv) The Group also have outstanding receivables from the Government of Anguilla, a registered employer, since inception. The following funds are receivable from the Government as of December 31, 2018 and 2017:

	Notes	2018	2017
Loans receivable	*9*	**225,111,111**	230,666,666
Finance lease receivable	*18*	**35,885,680**	35,568,860
Contributions receivable		**590,330**	6,545,000
Accrued interest receivable		**92,846**	1,744,269
Other receivable		**1,861,797**	1,861,797
Receivables held end of year		**263,541,764**	276,386,592
Receivables held beginning of year		**(276,386,592)**	(273,331,017)
(Decrease)/increase in receivables held		**(12,844,828)**	3,055,575

Interest income received as at December 31, 2018 amounted to $7,102,744 (2017: $7,380,521).

(v) Pension Fund
The Group does not charge the Pension Fund for the use of its facilities. There is no defined policy for the terms of payment of the Pension Fund liabilities to the Group.

Total contribution by the Group to the Pension Fund for the year amounted to EC$230,530 (2017: $225,000).

(vi) Remuneration to directors and executive staff during 2018 and 2017 are as follows:

	2018	2017
Board and investment committee allowance	**356,017**	345,208
Executive staff salaries and allowances	**1,816,007**	1,819,731
	2,172,024	2,164,939

24. Financial instruments

Below is the breakdown of the Group's net financial instruments by category.

	Amortised cost		Fair value through profit or loss		Fair value through other comprehensive income (AFS 2017)	
	2018	2017	**2018**	2017	**2018**	2017
Financial assets						
Cash in bank	**38,123,633**	24,406,838	**-**	-	**-**	-
Investment securities-net	**17,736,717**	20,497,170	**35,708,928**	-	**6,113,175**	41,358,667
Contributions, loans and receivables-net	**238,628,201**	251,980,387	**-**	-	**-**	-
Contingency reserve	**4,850,000**	4,000,000	**-**	-	**-**	-
Restricted cash in bank	**-**	-	**-**	-	**-**	-
	299,338,551	300,884,395	**35,708,928**	-	**6,113,175**	41,358,667
Financial liabilities						
Accounts payable	**1,169,318**	956,314	**-**	-	**-**	-

(a) Credit risk

Exposure to credit risk
The carrying amount of financial assets represents the maximum credit exposure of the Group. The gross maximum exposure to credit risk as at December 31, 2018 and 2017 were as follows:

	Notes	2018	2017
Cash in bank	*7*	**38,123,633**	24,406,838
Investments at amortised cost (HTM in 2017)	*8.1*	**27,565,901**	29,682,657
Investments through FVOCI (AFS in 2017)	*8.3*	**6,113,175**	45,413,015
Investments through FVPL	*8.2*	**35,708,928**	-
Contributions, loans and other receivables	*9*	**275,320,918**	282,375,308
Contingency reserve investment	*13*	**4,850,000**	4,000,000
Restricted cash in bank	*13*	**6,450,381**	6,450,381
		394,132,936	392,328,199

As at 31 December 2018, the total gross financial assets of the Group amounting to $394,131,108 represent ninety-seven percent (98%) (2017: 97%) of its total gross assets. Eighty-five percent (85%) (2017: 84%) of these financial instruments are invested in Anguilla. In view of this, the Group is exposed to significant geographical credit concentration risk which could materially impact the Group's liquidity, financial position and performance should Anguilla encounter financial difficulties.

Details of the maximum exposure to credit risk for gross financial assets by geographical region follows:

	Percentage	2018	2017
Anguilla	*85%*	**336,898,365**	331,637,223
Caribbean region	*6%*	**21,525,643**	24,822,110
United States of America	*9%*	**35,708,928**	35,868,866
	100%	**394,132,936**	392,328,199

24. Financial instruments *(continued)*

(a) Credit risk *(continued)*

Exposure to credit risk (continued)
The maximum exposure to credit risk on gross financial assets by type of counterparty follows:

	Percentage	2018	2017
Related parties	*81%*	**320,552,161**	315,075,491
Other	*19%*	**73,580,775**	77,252,708
	100%	**394,132,936**	392,328,199

The details of the maximum gross exposure to credit risk from related parties are as follows:

	% to total assets	2018	2017
NBA in liquidation			
Restricted savings deposit		**6,450,381**	6,450,381
Equity securities		**-**	1,500,000
	2%	**6,450,381**	7,950,381
Scotiabank			
Savings and demand deposits		**35,471,414**	18,170,621
Fixed deposits		**10,658,413**	10,617,733
Accrued interest receivable		**48,594**	33,557
	11%	**46,178,421**	28,821,911
National Commercial Bank of Anguilla Ltd			
Savings and demand deposits		**2,652,219**	6,236,217
Fixed deposits		**2,225,636**	2,180,491
Accrued interest receivable		**94,071**	44,899
	1%	**4,971,926**	8,461,607
Government of Anguilla			
Loans		**225,111,111**	230,666,666
Finance lease receivable		**35,885,680**	35,568,860
Accrued interest receivable		**92,846**	1,744,269
Other receivable		**1,861,796**	1,861,797
	67%	**262,951,433**	269,841,592
	81%	**320,552,161**	315,075,491

The movement in the allowance for impairment losses in respect of the Group's financial instruments is presented in Note 8.4 of the consolidated financial statements.

The impairment loss in respect of the financial assets was made due to the expected credit loss requirements as required by IFRS 9.

24. Financial instruments *(continued)*

(a) Credit risk *(continued)*

Exposure to credit risk (continued)

The impairment loss in respect of the Group's financial instruments recognized during the year was due to the market decline in the value of the investment securities held by the Group in the international market and due to the liquidity concerns in the region and locally which affected the recoverability of these investments.

The allowance account in respect of these financial instruments are used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrevocable and realized by the Group upon withdrawal for available-for-sale investment securities or writing it off against the asset amount for held-to-maturity investment securities.

(b) Liquidity risk

The Groups significant contractual financial liabilities pertain to the Group benefit obligations to its members and employees.

As mentioned in Note 14, the Group may be exposed to liquidity risk as a result of the difference of $529,486,722 (2013: $357,740,690) between the reserves of the Fund and the actuarial present value of projected benefit obligations.

The exposure may be compensated by future adjustments to the contribution rates by employers and employees, under the scaled-premium system of finance of the long-term branch, pursuant to Section 18(2) of the Social Security Act.

The outstanding pension fund obligation of the Group to its employees amounted to $9,006,184 (2017: $8,146,283).

Also, the following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

The Group is also exposed to liquidity risk as a result of its accounts payable from operations. Accounts payable as at 31 December 2018 amounted to $1,169,318 (2017: $956,314).

24. Financial instruments *(continued)*

(c) Market risk

Market risk consists of interest, price and foreign exchange risks.

Interest risk
Interest risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Interest rate risk is affected where there is a mismatch between interest-earning assets and interest-bearing liabilities, which are subject to interest rate adjustments within a specified period. The Group's financial assets exposed to interest rate risk include fixed deposits and loans receivable. Total financial assets and liabilities that are exposed to interest rate risk amounted to $257,527,012 (2017: $264,354,694).

Sensitivity analysis
A ten percent (10%) strengthening of the interest rate on the Group's financial assets subject to interest rate risk as at December 31, 2018 would have increased equity by $1,580,214 (2017: $1,614,507). This analysis assumes that all other variables remain constant.

A ten percent (10%) weakening of the interest rate on the Group's financial assets and liabilities subject to interest rate risk as at December 31, 2018 would have had the equal but opposite effect on the above financial assets to the amounts shown above, on the basis that all other variables remain constant.

Price risk
The Group's financial assets are not exposed to price risk because prices are at pre-agreed rates except for available-for-sale investment securities held with trading companies. Total available-for-sale investment securities that are exposed to price risk as at December 31, 2018 amounted to $38,708,928 (2017: $38,257,493).

Sensitivity analysis
A ten percent (10%) strengthening of the market price on the Group's available-for-sale investment securities at December 31 would have increased equity by $3,870,893 (2017: $3,825,749). This analysis assumes that all other variables remain constant.

A ten percent (10%) weakening of the market price on the Group's available-for-sale investment securities at December 31, 201 would have had the equal but opposite effect on the above investment securities to the amounts shown above, on the basis that all other variables remain constant.

Foreign exchange risk
The Group is not exposed to any significant foreign exchange risk since most of the Group's transactions are in EC Dollars and United States Dollars (US Dollars). EC Dollar is fixed to US Dollar at the rate of EC$2.6882.

24. Financial instruments *(continued)*

(d) Fair values

As at December 31, 2018 and 2017, the fair values of financial assets and liabilities, together with the carrying amounts shown in the consolidated statement of financial position, are as follows:

	2018		2017	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Cash in bank	**38,123,633**	**38,123,633**	24,406,838	24,406,838
Investments at amortised cost (HTM 2017)	**17,736,717**	**14,866,110**	20,497,170	18,331,155
Investments through FVPL (AFS 2017)	**35,708,928**	**35,708,928**	-	-
Investments through FVOCI (AFS 2017)	**6,113,175**	**6,113,175**	41,358,667	41,358,667
Contributions, loans and other receivables	**238,628,202**	**199,188,050**	251,980,387	211,798,304
Contingency reserve investment	**4,849,135**	**4,849,135**	4,000,000	4,000,000
Accounts payable and accrued expenses	**(1,169,318)**	**(1,169,318)**	(956,314)	(956,314)
	339,990,472	**297,679,713**	341,286,748	298,938,650

Fair value of equity investments as at December 31, 2018

Details of equity investment securities measured at fair value are as follows:

	Level 1		**Level 2**		**Level 3**	
	2018	2017	**2018**	2017	**2018**	2017
Quoted equity	**35,708,928**	36,363,892	**-**	-	-	-
Unquoted equity	**-**	-	**-**	-	**6,113,175**	4,994,775
	35,708,928	36,363,892	**-**	-	**6,113,175**	4,994,775

The decline in the fair values of the unquoted equity investments was due to adoption of IFRS 9 where all quoted and non-quoted equity instruments are reported at fair values.

Due to the lack of consistent and reliable sources of market interest rates and risk premiums specific to the unlisted available-for-sale investment securities as at year-end, the Group used the carrying values as the assumed market prices.

25. Commitments and guarantees

The Group does not have any other outstanding commitments and guarantees as at December 31, 2018 and 2017.

26. Income taxes

No provision for income tax is made, since Anguilla does not have any form of income tax.

27. Transition to IFRS 9

The following table summarises the impact of adopting IFRS 9 on the Group's consolidated statement of reserves as at 1 January 2018:

Investments at Amortized Cost	**IAS 39**	**IFRS 9**	**IAS 39-Dec 31, 2017** *(As previously presented)*	**IFRS 9 Reclass**	**IFRS 9 Remeasurement**	**IFRS-Jan 1, 2018** *(As restated)*
Loans receivable						
Loan to Gov't of Anguilla	Amortised	Amortised	16,666,667	-	-	16,666,667
Impairment allowance			-	-	(292,570)	(292,570)
Value net of allowance			16,666,667	-	(292,570)	16,374,097
Promissory Note – GOA	Amortised	Amortised	214,000,000	-	-	214,000,000
Impairment allowance			-	-	(3,756,601)	(3,756,601)
Value net of allowance			214,000,000	-	(3,756,601)	210,243,399
Investment securities						
Investments – BAICO	HTM	Amortised	11,481,859	-	-	11,481,859
Impairment allowance			(9,185,487)	-	(612,459)	(9,797,946)
Value net of allowance			2,296,372		(612.459)	1,683,913
Investment in regional bonds	HTM	Amortised	9,402,574	-	-	9,402,574
Impairment allowance			-	-	(31,775)	(31,775)
Value net of allowance			9,402,574	-	(31,775)	9,370,799
Unrestricted time deposit	Amortised	Amortised	8,798,224	-	-	8,798,224
Impairment allowance			-	-	(573)	(572)
Value net of allowance			8,798,224	-	(573)	8,797,652
Contingency fund - deposit	Amortised	Amortised	4,000,000	-	-	4,000,000
Impairment allowance			-	-	(865)	(865)
Value net of allowance			4,000,000	-	(865)	3,999,135
Interest and other receivables						
Gross amount	Amortised	Amortised	5,502,575	-	-	5,502,575
Impairment allowance			-	-	(62,620)	(62,620)
Value net of allowance			5,502,575	-	(62,620)	5,439,955
Total			260,666,412		(4,757,463)	255,908,949

Reserves	Allocation	**IAS 39-Dec 31, 2017** *(As previously presented)*	Equity investments Reclassification	Investments at amortized costs Reclass -ification	Total adjustment	**IFRS-Jan 1, 2018** *(As restated)*
Short-term benefits branch	0.87%	2,895,660	88,367	(41,453)	46,914	2,942,574
Long-term benefits branch	98.15%	326,187,846	9,954,313	(4,669,492)	5,284,821	331,472,667
Social Security Dev. Fund	0.98%	699,549	99,166	(46,518)	52,648	752,197
Total	100.00%	329,783,055	10,141,846	(4,757,463)	5,384,383	335,167,438

27. Transition to IFRS 9 *(continued)*

Equity Investments	**IAS 39**	**IFRS 9**	**IAS 39-Dec 31, 2017** *(As previously presented)*	**IFRS 9 Reclass-ification**	**IFRS 9 Remea-surement**	**IFRS-Jan 1, 2018** *(As restated)*
Investment securities						
Local equity investments	AFS-OCI	FVOCI	6,087,750	-	(1,500,000)	4,587,750
Impairment allowance			(1,500,000)	-	1,500,000	-
Value net of allowance			4,587,750	-	-	4,587,750
Regional equity investments	AFS-OCI	FVOCI	3,456,400	-	(1,942,975)	1,513,425
Impairment allowance			(1,942,975)	-	1,942,975	-
Value net of allowance			1,513,425	-	-	1,513,425
International equity investments	AFS-OCI	FVPL	35,868,866	-	(611,373)	35,257,493
Impairment allowance			(611,373)	-	611,373	-
Value net of allowance			35,257,493	-	-	35,257,493
Reserve for Unrealized Gains)/Loss			8,248,246	(10,141,846)	-	(1,893,600)

28. Subsequent events

Lease

Claims against the Government of Anguilla for lease rentals since the inception until January 31, 2020 amounting to EC$36,300,000 remains unpaid.

Lease Property

Currently, the Group is planning to sell the property to an interest developer. A proposal is being reviewed by both parties as at the reporting date. The asking price for the property as approved by the Board of Directors amounted to EC$26,882,000.

Land purchases

In 2018 and 2019, the Group purchased the following properties:

Description			**Amount***
West Central 28409 B54 .21 Acreage	Land and building	Purchase	**1,043,272**
West Central 28409 B59 .21 Acreage	Land and building	Purchase	**1,286,950**
Road 08412 B276 2.42 Acreage	Land	Purchase	**1,550,217**
Road 08412 B172 .80 Acreage	Land	Purchase	**1,719,143**
			5,599,582

**including taxes and other fees*

28. Subsequent events *(continued)*

The primary purposes of the purchased are as follows:

- To assist with the redevelopment of the ports.
- To exchange those lands purchased at the port areas with the Crown land that or more suitable for ASSIDCO as follows:
  a. North Central Block 48814 B, P 272 partial, identified for ASSB new administration building;
  b. Redevelopment of the strip area for commercial and recreation purposes; and
  c. South Central 38611 B, P 305 for commercial purposes.

The Board of Directors of ASSIDCO on the 30th of January 2020 ratified the resolution that was approved by round robin on the 14th of January 2020 and agree to back date the resolution on the 27th of December 2019 the following:

To transfer the above purchase properties to the Government of Anguilla through the Crown in exchange for the following transfers and payments to ASSIDCO by the crown:

a. Part of North Central 48814 B272 designated lots 1 and 2 and admeasuring 6.4 acres amounting to EC$8,897,942;
b. South Central 38611 B 305 and admeasuring 1.5 acres amounting to EC$779,758;
c. Given the valuations as assessed by the investment committee to ASSIDCO and upon their recommendation, a further payment of EC$3,298,360 and EC$779,578 shall be made to the Government of Anguilla to compensate for the shortfall in the value of exchange.

As such as at December 31, 2019, the following properties will be reflected in the Group's financial statements:

Description		**Amount***
North Central 48814 B272 6.4 Acreage	Land	**8,897,942**
South Central 38611 B305 1.5 Acreage	Land	**779,758**
		9,677,520

COVID-19

As at report date, the corona virus (COVID-19) outbreak which became an official pandemic on March 11, 2020 has prompted global health and economic concerns. Coronavirus affected entities in nearly every sector, due to the following impacts:

- Reduced consumer demand for goods and services due to lost income and/or restrictions on consumers' ability to move freely;
- Lack of investment in capital improvements and construction reducing demand for many goods and services;
- Reduction in market prices for commodities and financial assets, including equity and debt instruments; and
- Disruption of global supplies chains due to restrictions placed on the movement of people and goods.

28. Subsequent events *(continued)*

The above resulted in various closures of businesses, travel ban and border closures in different countries which includes Anguilla. Hospitality industry in Anguilla which is the largest contributors to Anguilla Social Security Board was significantly affected due to closures of various hotels as a result of the travel ban. As this is the largest employment sector on the island, many persons have been made unemployed indefinitely. The Group is currently assessing, monitoring and remains cognizant on the ongoing effect of the COVID-19 pandemic to the country and specifically to the Group's loan portfolio, investments, cash in banks and financial statements as at and for the year ended December 31, 2019 and December 31, 2020.